



CAPCON MICHIGAN CAPITOL CONFIDENTIAL

MACKINAC CENTER FOR PUBLIC POLICY

CapCon is a product of the Mackinac Center for Public Policy

A news service for the people of Michigan — Vol. 8 No. 3 October 2014

Daily Online Coverage at MichCapCon.com

All Four Teachers in Schauer Ad Claiming School Cuts are in Districts Receiving More Money

BY TOM GANTERT

A Mark Schauer for governor political advertisement features four teachers from four different school districts who claim that Gov. Rick Snyder has cut funding to their districts.

But in fact, on a per-student basis, all four districts actually received more taxpayer money in 2013-14 than they did in 2010-2011, which was the last budget approved by Gov. Jennifer Granholm.

The ad features seven teachers but only four specifically cite lower funding.

For months Schauer, who is the Democratic candidate for

the state's top office, has claimed that Gov. Snyder cut funding to public schools. This claim has been refuted by several sources.

Specifically, Detroit Free Press reporter Paul Egan fact-checked and found "truthful" a political ad by Gov. Snyder denying that his administration cut \$1 billion from public education.

Egan added, "That's more than can be said for the education funding stories told in ads sponsored by Democratic candidate Mark Schauer and the Democratic Governors Association."

The teachers in the Schauer ad referred to above are employed



by Lincoln Consolidated Schools, Ann Arbor Public Schools, Novi Community Schools and the Plymouth Education Center charter public school. All four claim in the ad that their schools are getting less money today under Gov. Snyder. Yet the three conventional school districts and one

charter school each received more state dollars per student in 2013-14 than in 2010-11 according to the Michigan Department of Education.

State funding for Michigan public schools is complex. It contains several different components and is also tied to student enrollment numbers.

Novi High School teacher Chandra Madafferi is one of the individuals in the Schauer ad. She recently testified at a Senate hearing on behalf of the Michigan Education Association, the state's largest teacher union.

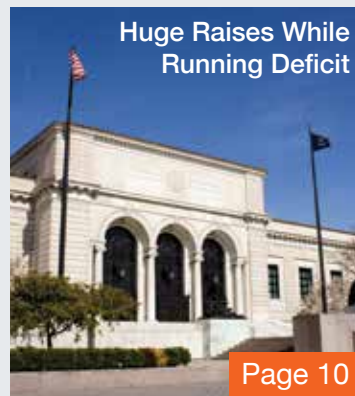
See "School cuts," Page 8

INSIDE THIS ISSUE

Back Page

I'M JUST A BILL

A sampling of proposed state laws



Why Do Michigan Residents Falsely Believe Education Spending Is Down?

BY TOM GANTERT

In three of her last four budgets, Gov. Jennifer Granholm cut state funding to K-12 schools.

In Gov. Rick Snyder's first four budgets, he has increased state funding to K-12 schools, up to a record \$12 billion in 2014-15, according to the Senate Fiscal Agency.

So how is Gov. Snyder being tagged by critics as the villain who has cut funding to school children?

The answer lies in how the complicated nature of school funding has been the most misunderstood story reported in the media, as well as a campaign to portray schools as underfunded.

"If you repeat a lie long enough, people begin to believe it," said Charles Owens, state director of the National Federation of Independent Business. "The MEA and other apologists for the previous administration continue to

See "Falsely Believe," Page 8

Early Returns On Michigan As a Right-to-Work State: Incomes Rising

BY TOM GANTERT

When Michigan passed right-to-work in December of 2012, critics were quick to predict that workers' compensation would plummet. Union officials derided it as "right-to-work for less."

Senate Minority Leader Gretchen Whitmer, D-East Lansing, said that right-to-work legislation would lower employee wages.

But the early returns show that hasn't happened.

Michigan's per-capita personal income increased from \$38,291 in 2012 (before right-to-work became law) to \$39,215 in 2013, according to the U.S. Department of Commerce's Bureau of Economic Analysis. That increase was the ninth highest in the country.

Per-capita personal income includes income from all sources divided by the number of people in the state. Salaries and wages are a part of per-capita personal

See "Early Returns," Page 12

NONPROFIT ORG.
U.S. POSTAGE
PAID
Fenton, MI
Permit # 1776

Mackinac Center for Public Policy
140 West Main Street
P.O. Box 568
Midland, Michigan 48640
Capitol Confidential

update!



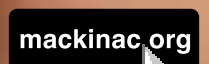
VOTESPOTTER®

VoteSpotter just got better!

You can now view stats in real-time and see how often you agree with your legislators and other users.

Download it free at the Apple App Store and Google Play.

VoteSpotter.com



A MESSAGE FROM THE *President*

What Should the Next Legislature Do?

BY JOSEPH G. LEHMAN



The next Legislature could enact a number of Mackinac Center ideas if November's elections produce conditions that favor freedom.

In 2010 we updated our "101 Ideas to Revitalize Michigan."

The Legislature and governor have since fully or partially enacted dozens of them. Here is some unfinished business and some new recommendations.

- Ask teachers and government employees at all levels to join state workers who already have 401(k)-style pensions to keep their underfunded plans safe and protect taxpayers.
- Bring all government employee benefits into balance with private-sector averages. Fully closing the gap would save \$5.8 billion annually.
- Repeal the "prevailing wage" law that forces schools to waste \$224 million annually.
- Expand educational choices by letting the money follow students to any school, public or private, through a scholarship or tax credit. (The constitution would also have to be amended for this one.)
- Inject a little democracy into unionized government workplaces by holding union recertification elections every two years.
- Strengthen government transparency. Prohibit bureaucrats from obstructing document

requests and charging taxpayers absurd amounts to view public records.

- Reform corrections. Analysts across the political spectrum put savings at \$500 million or more. Failure to address over-criminalization means innocent people are often swept up in dragnets of injustice.
- Put teeth in laws intended to reward teachers by merit and prohibit unions and school officials from bullying workers. Stop forcing taxpayers to pay for school employees assigned 100 percent to union business.
- Consolidate multiple state agencies into one Department of Permitting, especially for environmental and various regulatory permits.
- Root out regulations designed primarily to protect the powerful from competition while doing little for public safety.
- Continue tax relief. Lower overall rates for everyone instead of adding back special exemptions, loopholes and favors.
- Eliminate anything on my colleague Mike LaFaive's new list of \$2.1 billion in recommended savings that is less important than any core government function, especially corporate welfare.
- Fix the roads. For ideas on where to find some money for that, see above.

All policy moves through a political process. Few candidates, including Gov. Snyder, are

campaigning on these issues now. That's politics. But neither did they campaign very much four years ago on the Mackinac Center ideas they since enacted into law, including significant net tax relief, cuts to corporate welfare, greatly expanded school choice, bans on unseemly union dues-skimming schemes, and of course the nation's 24th right-to-work law.

This isn't the entire Mackinac Center agenda, but it would be a good next step. Hopefully this column is a preview of coming attractions. ■

Meet the Staff



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 digital engagement manager for Michigan Capitol Confidential. He may be reached at Skorup@mackinac.org.

CAPCON MICHIGAN
CAPITOL
CONFIDENTIAL

MACKINAC CENTER AND ACTON INSTITUTE LUNCHEON

Featuring Mr. F.H. Buckley, foundation professor at George Mason School of Law and author of "The Once and Future King"

WHEN | Tuesday, Nov. 11, 2014 | 11:30 a.m. - 1:00 p.m.

WHERE | Acton Institute | Grand Rapids, MI



Please register by Friday, Nov. 7 at noon by calling 989-698-1905 or emailing Events@mackinac.org.

ACTON INSTITUTE



Michigan's 'Lost Decade' Was Historic



In a Sept. 23 interview, the Democratic candidate for lieutenant governor, Lisa Brown, said “I think the Granholm years, you know, weren’t as bad as we think.” This article is part of a Michigan Capitol Confidential series examining how the state’s economy actually fared during Michigan’s “lost decade.”

BY TOM GANTERT

From 2000 to 2009, the income of Michigan residents plummeted to a degree experienced in only a handful of states since the Great Depression of the 1930s.

Per-capita personal income in the state fell from 18th highest in the U.S. in 2000 to 38th place in 2009; this relative decline was the fourth largest for any state during a nine-year period going back to 1929.

Michigan residents’ earnings didn’t just drop compared to other states. When factoring in inflation and measured in constant 2013 dollars, per capita income was less in 2009 (\$37,102) than in 2000 (\$40,605), a decline of \$3,502, or 8.6 percent. Nationwide, per capita income grew from \$41,379 in 2000 to \$42,736 in 2009, a 3.3 percent increase using 2013 dollars.

“Michigan’s experience is a very rare occurrence,” said James Hohman, assistant director of fiscal policy at the Mackinac Center for Public Policy, who performed the analysis.

Hohman said the dramatic drop began before Gov. Granholm took office in 2003 and lasted through 2009. Recovery began in 2010, which was Gov. Granholm’s final year in office.

The state’s auto manufacturing sector played a role. Michigan lost 219,000 “transportation equipment manufacturing” jobs from 2000 to 2009, about two-thirds of the state’s jobs in that category.

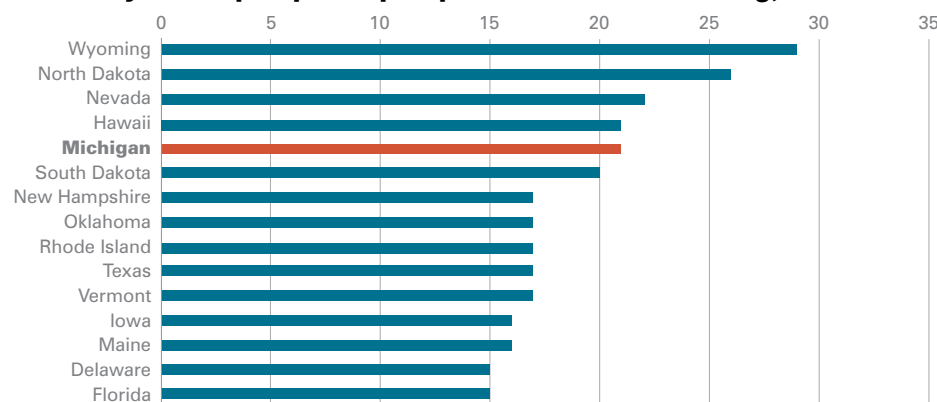
But the decline can’t all be pinned on the automobile industry, because overall Michigan lost 805,000 jobs in those nine years.

Hohman said Gov. Granholm’s approach to the problem didn’t help.

“Gov. Granholm’s economic initiatives were about taking money from all taxpayers and giving it to a favored few industries,” he said.

Michigan’s relative decline in personal income during the Granholm era was not the worst experienced by any state ever, however. From 1979 to 1988, the state of Wyoming dropped from 7th highest income to 36th. North Dakota fell 26 spots

Worst 9-year drop in per-capita personal income ranking, 1929-2013



Source: Calculations based on data from the Bureau of Economic Analysis

from 1973 to 1982 and Nevada dropped 22 spots from 2004 to 2013.

Michigan’s decline is tied with that experienced by Hawaii between 1992 and 2001, which fell from 5th to 26th place.

University of Michigan economist Don Grimes finds a silver lining in these plunges.

“These big movements in income relative to other states appear to reflect major structural changes in the economy and changes in the price of energy and agricultural products,” he said. “The most promising fact from this analysis, which corresponds to some of my research, is that these big changes in relative income are not necessarily permanent. States which have seen a big decline in income, like Michigan during the 2000s, frequently see a rebound the following decade. Michigan has out-

performed the U.S. since 2009, and this analysis suggests that this relative trend might continue.”

From 2012 to 2013, Michigan’s per-capita personal income grew at the ninth-fastest rate in the country, increasing from \$38,291 in 2012 to \$39,215 in 2013, according to the Bureau of Economic Analysis at the U.S. Department of Commerce.

According to Hohman, the auto industry is less of a factor in the state’s economy than in the past. He said the industry accounted for one out of every 13.5 jobs in Michigan in 2000, while it’s just one in 24.5 jobs in 2014. ■

The original version of this story was posted online on Oct. 6, 2014. It is available with hyperlinks and more info at MichCapCon.com/20563.

FORtheRECORD

Dem. Lieutenant Governor Candidate: Granholm Years ‘Weren’t As Bad As We Think’

BY TOM GANTERT

“I think the Granholm years, you know, weren’t as bad as we think.” – Lisa Brown, the Democratic candidate for lieutenant governor running with Mark Schauer, on Sept. 23 during a radio interview on “Michigan’s Big Show,” according to Gongwer News Service.

For the Record says: Sounds like someone needs a refresher course on Michigan’s economy, certainly something that won’t be taught in former Gov. Granholm’s University of California-Berkeley class on how to create jobs.

Michigan lost 576,900 jobs during Gov. Granholm’s eight-year tenure.

This state led the nation in United Van Lines outbound shipments from 2006 to 2009, signaling an exodus from Michigan.

Michigan led the nation in unemployment for 45 consecutive months from May 2006 to January 2010. The number of people on food stamps in Michigan grew from 580,000 in 2000 to 1.9 million in 2011. ■

The original version of this story was posted online on Sept. 25, 2014. It is available with hyperlinks and more info at MichCapCon.com/20542.

“Like” CapCon on Facebook and get daily stories and highlights.

ISSUES

POLICY

NEWS

Informative. Investigative. Daily. Online.

MichCapCon.com

A news service for the people of Michigan from the Mackinac Center for Public Policy

CAPCON on **facebook**

During the ‘Lost Decade,’ Michigan Shed More Jobs Than U.S. as a Whole

BY TOM GANTERT

When the Great Recession hit the U.S. in December of 2007, state economies buckled.

But in the four years preceding it Michigan was the only state to lose jobs overall. The state lost 148,100 jobs from 2003 through 2007 while the U.S. added 7.6 million jobs.

Over the entire decade, from 2000 to 2009, the state lost 805,900 jobs, or 1 in every 6 – a 17.2 percent reduction in employment. The next closest state to bleed that many jobs was Ohio, which lost 9.9 percent of its jobs in those years.

Nationwide, the U.S. began the decade with modest declines in employment, but then job growth picked up strongly through 2007. It fell off a cliff in

2008 and 2009; overall, the U.S. lost 786,000 jobs from 2000 to 2009. While the Great Recession job loss in the United States was bad, Michigan’s decline began much earlier and was catastrophic. The Wolverine State lost more jobs over the decade than the net job loss for the entire nation

Christopher Douglas, an associate professor of economics at University of Michigan-Flint, said Gov. Granholm’s policies were highly counter-productive.

But it is just so hard to know exactly how many job losses are attributable to her policies, Douglas said. “I think you can make convincing arguments that the yearly budget crisis and can-kicking contributed to job losses, as businesses hate uncertainty, as well as diverting state resources towards crony

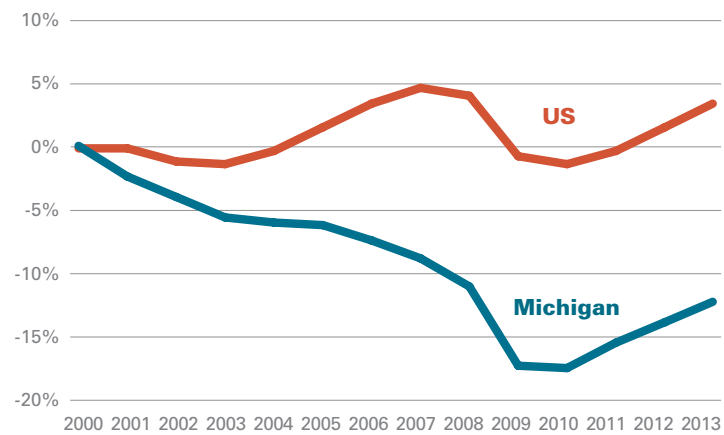
capitalist endeavors such as movie studios, green energy, and so forth.”

Douglas placed most of the blame for job losses on the rising gas prices that choked demand for SUVs and the major auto companies being caught flat-footed to the changing consumer preferences as legacy costs started to kick in.

“The sheer magnitude of the poor management at these companies is staggering,” Douglas said.

The state auto manufacturing sector played a role in Michigan’s recession, but possibly less than many imagine. The state lost 219,000 jobs in the “transportation equipment manufacturing” category, which represented about two-thirds of Michigan jobs in that sector, but this was just 27 percent of

Growth in Payroll Employment Since 2000



Source: Bureau of Labor Statistics

Michigan’s overall job loss during the decade.

2000, but just one in 24.5 jobs in 2014. ■

The state has emerged from the recession with a more diverse job market. The auto industry accounted for one of every 13.5 jobs in Michigan in

The original version of this story was posted online on Oct. 14, 2014. It is available with hyperlinks and more info at MichCapCon.com/20582.

Michigan Finally Reverses the Number of People Leaving

BY TOM GANTERT

From 1996 to 2011, Michigan saw more people leaving the state than coming in, according to Atlas Van Lines, a moving company that tracks migration across the

country. The last two-thirds of this period corresponded with an especially bleak time for Michigan’s economy.

By comparison, Atlas records for Ohio show more people moving into that state

than out for 14 consecutive years, from 2000 to 2013. And Indiana only had one year from 1994 to 2013 when it didn’t have more people arriving than departing.

Michigan’s 16-year negative migration trend ended in 2012, when Atlas finally recorded more inbound moves than outbound. The net-positive inbound moves repeated in 2013.

According to the U.S. Census Bureau, Michigan’s population was 9.66 million in 1995, grew to 10.05 million in 2005, and then fell back to 9.90 million in 2013.

Moving company data is one source of information on population shifts. Another comes from the U.S. Internal Revenue Service. The Tax Foundation, an independent research organization located in Washington, D.C., used IRS data to create a map showing the financial impact of net outbound migration on Michigan (see left).

A related chart (found at Interactive.taxfoundation.org/migration/) shows that from

2000 to 2010, there were 442,705 more individuals (listed as tax “exemptions”) who left Michigan for other states than came here. This resulted in an annual statewide loss of \$14.4 billion worth of adjusted gross income (AGI) reported in Michigan, which was the 5th worst such loss in the U.S. during that 10-year span. (According to the Michigan Department of Treasury, Michigan households reported a total of \$288.5 billion of AGI in 2012.)

Michael LaFaive, director of the Morey Fiscal Policy Initiative for the Mackinac Center for Public Policy, said there may not be a better single metric of economic well-being than migration. “Usually a move represents a vote in favor of more economic opportunities,” he said. “In the 2000s, Michigan was not considered an opportunity state, but Florida, Texas and Arizona were.”

The Tax Foundation’s IRS data shows that while Michigan lost nearly half a million people listed as tax “exemptions”

Michigan Migration Patterns

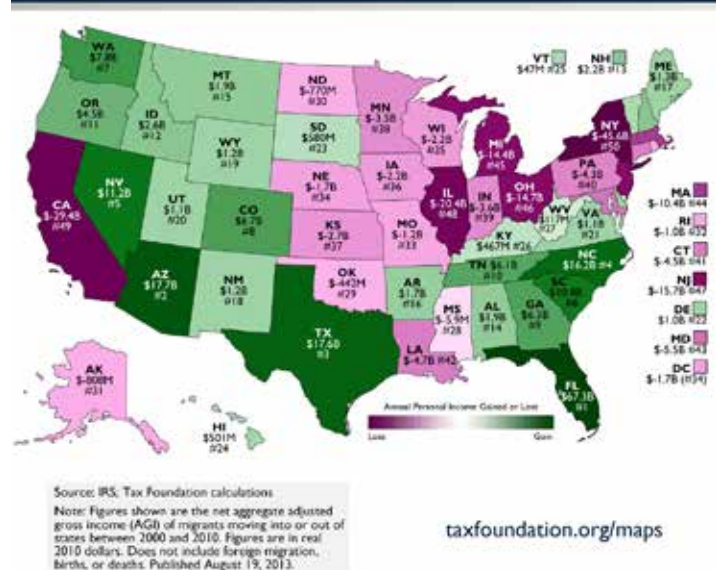
Year	Inbound	Outbound
2013	1,878	1,685
2012	1,511	1,474
2011	1,644	1,720
2010	1,405	1,819
2009	1,205	1,818
2008	1,619	2,392
2007	1,899	2,712
2006	2,086	2,729
2005	2,187	2,823
2004	2,189	2,619
2003	2,135	2,295
2002	2,062	2,388
2001	2,078	2,812
2000	2,355	2,809
1999	2,254	2,884
1998	2,158	2,868
1997	1,925	2,334
1996	1,905	2,212
1995	2,233	1,851

Number of trips done by Atlas Van Lines in Michigan.

during the 2000s, Florida added 966,934, Texas gained 807,552 and Arizona added 482,138. ■

The original version of this story was posted online on Oct. 7, 2014. It is available with hyperlinks and more info at MichCapCon.com/20570.

Migration of Personal Incomes Between States, 2000-2010



10 Facts About Pension Systems in Michigan

BY JARRETT SKORUP
AND JAMES M. HOHMAN

The late Illinois politician Everett Dirksen once said, “A billion here, a billion there, pretty soon you’re talking real money.”

Though that was in the 1960s, a billion dollars is still “real money” today. But it is one of those numbers thrown around so much in the political realm that it is hard for people to grasp.

It is difficult to avoid numbers when talking about underfunded pension systems, but here are some illustrations that will hopefully help readers grasp the enormity of the problem in Michigan.

1. The school retirement system (MPSERS) is underfunded \$25.8 billion – the highest it has ever been.

That is the amount of money politicians have promised for which they have not put aside funds. The amount is so large that an extra \$100 million

kicked into the pot recently scarcely made a dent, fixing a mere 0.4 percent of the problem.

2. Teachers and other school employees are likely the state’s largest creditors.

The \$25.8 billion owed to them is roughly 13 times more debt than is in the state’s general obligation bonds, which includes things like state voter-approved borrowing for the Clean Michigan Initiative.

3. The annual required contributions for the school system have doubled in the past few years.

The ARC payments for the school system are the amount required just to keep up with funding for current workers retiring (it is often ignored by politicians, which is why liabilities are so high). This amount increased from \$989 million in 2009 to \$1.9 billion in 2013. The latest actuarial valuation indicates that this will rise to \$2.3 billion in

2016. This excludes the value of retiree health care benefits and attempting to prefund those.

4. Thirty (30) percent of school employee payroll costs are devoted to the pension system – up from 12 percent a decade ago.

In order to fund the system, the state charges member districts a percentage of payroll to cover retirement benefits and retiree health care. These rates increased from 12 percent of payroll in 2001 to 30 percent today.

5. Eighty-seven (87) percent of what the state, school districts and current employees spend on pensions goes to catch up on past underfunding.

Only 13 percent of current spending is for the retirement costs of current employees.

6. The state has continually assumed more employees would enter the system while actual employment has continued to decline.

The teacher pension system assumes annual payroll growth of 3.5 percent. Total payroll of MPSERS members fell by 14 percent over the past decade.

7. Very few open defined-benefit pension systems in Michigan are fully funded.

An evaluation of the Comprehensive Annual Financial Reports (CAFR) for all Michigan counties and its 100 largest cities showed that only a handful of pension systems were fully funded. Only one county and seven cities had assets higher than liabilities.

8. The average city in Michigan is funded at 67 percent.

Of the 100 largest cities and townships in the state, only 67 cents on the dollar has been put away. When Detroit declared bankruptcy, its pension systems were estimated to be at the very least 65 percent funded.

9. The average county in Michigan is funded at 74 percent.

Of Michigan’s 83 counties, unfunded liabilities are equal to more than a quarter of promised benefits.

10. Four Michigan cities have a funded ratio below 50 percent.

Lincoln Park, Burton, Romulus and Plymouth.

The amount of liabilities in pension systems at the state, county and local levels is a rapidly increasing problem. The city of Detroit is an extreme example, but many cities around the state are in even worse shape, threatening bankruptcy for those communities.

These liabilities crowd out funding for public safety and roads. There are several things that would help fix the problem, but until taxpayers and politicians make the issue a priority, it will continue to get worse. ■

The original version of this story was posted online on Sept. 17, 2014. It is available with hyperlinks and more info at MichCapCon.com/20514.

Michigan Teacher Pension Costs Increase To Nearly \$1 Billion Per Year

BY TOM GANTERT

What started out as a \$155 million tab in 2012 for public school employee pension and retirement health care costs will increase to \$945 million by 2015, according to the Senate Fiscal Agency.

The driver of the escalating costs is MPSERS’ unfunded liability. The pension system’s unfunded liability was \$25.8 billion in 2013, up from \$24.3 billion in 2012. The state’s payments also go to defray retiree health care costs.

The costs for the Michigan Public School Employees Retirement System includes the \$882.7 million the state is projecting to spend on retirement contributions for

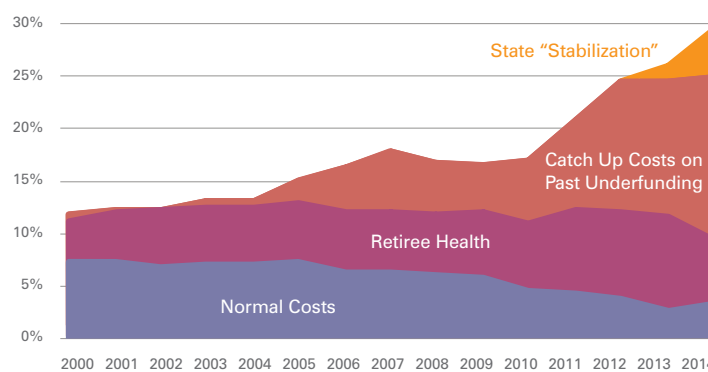
K-12 education in 2015 plus the costs for community colleges, libraries and higher education.

One reason the costs are increasing is that school districts didn’t meet the annual required contributions for pension costs, said James Hohman, assistant director of fiscal policy at the Mackinac Center for Public Policy. In 2013, the state determined the cost was \$1.9 billion, but districts paid \$1.36 billion, according to state’s 2013 annual audit.

Also, Hohman said that for years the Legislature has used “gimmicks” to get out of paying the full upfront costs of MPSERS.

For example, in 2007 the Legislature voted to mark assets

School Pension Fund Contribution Rates



Source: Michigan Office of Retirement Services

to market rates, which allowed legislators to put less money into the pension system. In 2010, the state Legislature approved an early retirement incentive that saved \$169 million on salaries but

added an additional \$1 billion in unfunded liabilities to MPSERS. Then, in 2012, the Legislature doubled the time the state has to pay off the early retirement incentive costs from the traditional five years to 10 years.

Hohman said that has led to a “catastrophic debt in the pension system that is sending our current legislators scrambling to find payments.”

Leon Drolet, chairman of the Michigan Taxpayers Alliance, said government is good at finding a way to put off paying costs.

“Any tough decision that government can put off, it does put off,” Drolet said. “If there is a way to kick the can down the road, they are brilliant at it. It always catches up with them. And the taxpayers pay for it.” ■

The original version of this story was posted online on July 9, 2014. It is available with hyperlinks and more info at MichCapCon.com/20262.

A three-part series looking at municipal retiree funds in the state.

PART 1

The Worst Funded Pension Systems In Michigan

BY NATHAN LEHMAN
AND JARRETT SKORUP

A large cause of Detroit's historic bankruptcy in 2013 was its grossly underfunded retiree systems for public employees. At the time, the estimates of the amount of unfunded liabilities in the general pension system ran from 94 percent to 65 percent.

But few people realize that many of Michigan's largest cities have pension benefit systems in far worse conditions than Detroit.

A review of the Comprehensive Annual Financial Reports (CAFR)

by Capitol Confidential of the employee pension systems for Michigan's 100 largest municipalities shows that many of them are 65 percent funded or worse. One system, Lincoln Park, is only 32 percent funded – that is, for every dollar promised to future retirees, the city has put aside only 32 cents.

Five of Michigan's 100 largest cities are 50 percent funded or less; a scary amount of liabilities.

Most of the state's largest cities continue to offer pensions and these defined benefit plans have racked up billions in

combined unfunded liabilities for taxpayers. This does not include the amount of liabilities for Other Post-Employment Benefits (OPEB) which are almost always even less funded.

There is some hope. In 1997, Michigan legislators began shifting new state employees off of the pension system and providing them with 401k-type retirement plans. These are known as "defined contribution" rather than "defined benefit" pension plans. This has saved taxpayers an estimated \$2.3 to \$4.3 billion – and likely saved state workers from a severe

pension haircut in the future.

One of the key people who helped with that shift is former Michigan Treasurer Douglas Roberts. In a recent interview, he spoke about the difficulty of defined benefit systems.

"Pensions represent future costs, and the future can be unpredictable," Roberts told the Reason Foundation. "Forecasting future costs can be imprecise. Accounting assumptions can change. [E]conomic conditions can change. But short-term decisions made in the past don't always fit the longer-term view of the future."

Some local governments are beginning to shift their new employees off of pension systems and towards a 401k plan where the retirement money flows to the workers rather than the state. With a defined contribution plan, it is impossible for politicians to kick the fiscal can down the road to future employees and taxpayers. This shift has led to cost savings and is helping cities avoid the fate of Detroit.

Other municipalities are ignoring the warning signs. Either from a lack of political will or misaligned incentives, these local

See "Worst Funded," Page 8

PART 2

What Will Cities Do To Solve Their Pension Problems?

BY JARRETT SKORUP

As pension funding crowds out important functions of local governments like police and fire protection, roads and even streetlights, many municipalities have begun shifting towards 401k-type accounts for new employees.

But other cities have not.

Capitol Confidential has examined the most recent Comprehensive Annual Financial Reports (CAFR) of Michigan's 100 largest municipalities. Of the 10 municipalities with the lowest funding ratios for their pension systems, only two

of them have begun shifting employees away from the defined benefit pension system.

Lincoln Park has only put away 32 cents on the dollar for its pension obligations. It began offering the option of a defined-contribution plan or a hybrid pension plan to new employees in 2004. The city now operates

under an emergency manager and representatives declined to comment.

According to the reports, Burton (39 percent), Romulus (45 percent), Norton Shores (54 percent), Hamtramck (54 percent) and has an emergency manager), Genesee Township (55 percent) and

Jackson (55 percent) still have an open defined-benefit system. Bloomfield Hills (51 percent) is attempting to close its system to new employees and issue bonds to pay down its debt.

The city of Walker, which is 57 percent funded, closed

See "Pension Problems," Page 9

PART 3

How Cities Are Solving Their Pension Problems – and the Bill That Makes It Easier

BY KRISTIANA MORK
AND JARRETT SKORUP

There's a saying among those who analyze public sector pension systems: "Pension don't get funded – they get underfunded."

That is certainly true around Michigan. A review of the defined benefit pension systems for the 100 largest cities in the state shows that the vast majorities are underfunded – that is, that the

municipality has promised more benefits than it has put away money for.

But there is hope. Many cities have begun shifting new employees to a 401k-type, defined-contribution plan. For these plans, workers are given a (usually generous) match of money put into a fund. It is impossible for cities to underfund defined-contribution plans because there are no liabilities – the expense happens upfront.

Jack Hagedorn, the finance director of Allendale Charter Township, credits his township's solvency to it not having a defined benefit plan.

"A 401k prevents unfunded liabilities," Hagedorn said. "We have zero liabilities with [our] plan and we would like to keep it that way."

Commerce Township has always had a 401k-type plan and Treasurer Susan Gross sees positive results.

"[Our defined-contribution plan] prevented any legacy costs," she said. "We are 100 percent fully funded."

Having long-time stable retirement plans has freed up resources in many cities to use for firefighting and police protection.

Laurie Lemke is treasurer of Gaines Charter Township which also has zero liabilities. She credited the defined-

See "Solving," Page 14

Number of Michigan Residents on Food Stamps Finally Declining

BY TOM GANTERT

In 2000, Michigan had 580,000 people on food stamps. By 2011, that number had grown to 1.9 million people as nearly 1 in 5 Michigan residents were on the Food Assistance Program.

But after 11 consecutive years of increases, Michigan has seen the number of people on food stamps decrease the

past two years, according to the state's annual reports.

After reaching the high-water mark of 1,928,478 in 2011, the number of people on food stamps dropped to 1,828,384 in 2012 and then to 1,775,646 in 2013.

Don Grimes, an economist for the University of Michigan, said the recent decrease

looks to be driven by the improving economy.

"There is a very strong negative correlation (-0.61) between the change in the number of people collecting food stamps and the number of people holding jobs (measured on either the household or establishment basis)," Grimes said. "Food stamp usage grew

faster than expected given the growth in employment in 2010 and 2011 when eligibility criteria were loosened."

Bob Wheaton, spokesman for the Michigan Department of Human Services, said the state is reviewing what could be behind the drop in food stamps recipients and would have a response by mid-September.

The Food Assistance Program offers temporary food assistance for eligible low-income families. The state issues Bridge Cards for recipients. ■

The original version of this story was posted online on Sept. 3, 2014. It is available with hyperlinks and more info at MichCapCon.com/20459.

SCHOOL CUTS

from Page One

In the ad, Madafferi responds to a question about whether Gov. Snyder increased funding to schools. "Definitely not mine," she answers.

That answer would be accurate if it referred to just one particular part of state funding — the "per-pupil foundation allowance" — but is false for overall state funding. Adding to the potential for confusion, the foundation allowance is actually a mixture of state and local funds.

Looking at just state dollars — not federal or local money — Novi Community Schools received \$6,404 per student in 2013-14, which is about \$1,000 more per student than the \$5,411 it received in 2010-11. Overall, the district received \$34.1 million in state dollars in 2010-11, with 6,315 students enrolled, and \$41.3 million in 2013-14, with 6,443 students enrolled.

These state dollars are divided into several pots, including the state's contribution to the foundation allowance, money for school employees'

retirement benefit costs and special education, school lunch programs and "best practices" incentive payments. The foundation allowance component did fall, from \$8,799 per pupil in 2010-2011 to \$8,359 per pupil in 2013-14, but in total Novi schools received substantially more dollars per student from state taxpayers in 2013-2014 than three years ago.

The tale is similar in the other three districts cited in the Schauer ad. Lincoln Consolidated Schools saw its total per-pupil funding from the state increase from \$6,819

in 2010-11 to \$7,727 in 2013-14. State funding to the Ann Arbor district jumped from \$5,215 per student in 2010-11 to \$5,626 in 2013-14. The Plymouth Education Center charter public school saw its per pupil funding from the state increase from \$7,691 in 2010-11 to \$7,773 in 2013-14.

Here are the most recent figures (2012-2013) for how much each school district received per student when all funding sources including federal dollars are included: \$10,454 to Novi; \$10,104 to Lincoln Consolidated; \$11,460

to Ann Arbor; and \$8,434 to the Plymouth Education Center.

Statewide, the number of state dollars spent on K-12 education has increased every year Gov. Snyder has been in office, rising 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. ■

The original version of this story was posted online on Oct. 2, 2014. It is available with hyperlinks and more info at MichCapCon.com/20560.

FALSELY BELIEVE

from Page One

repeat that lie. A lot of school superintendents continue to repeat that lie. And it's a lie because it doesn't consider total funding."

As of March, a Denno-Research poll showed that many Michigan residents believed that Snyder cut funding. When asked, "In the three years that Governor Rick Snyder has been in office, do you think he overall has increased or decreased spending for K-12 schools?" 53.8 percent of the people polled said they thought he decreased spending on K-12

schools. Just 18 percent thought Gov. Snyder had increased spending and 24 percent either didn't know, were unsure or refused to answer.

Gary Naeyaert, executive director of the Great Lakes Education Project, pointed out that Gov. Granholm had \$2 billion a year in federal funds in her final three budgets from 2008-09 to 2010-11. Gov. Snyder has seen federal support drop since taking office and has never had more than \$1.8 billion in federal support in a year.

"She cut state funding and replaced it with federal temporary stimulus funds that

everyone knew was going to end," Naeyaert said. "Snyder lost federal funds and replaced it with state funds. And he's the bad guy."

The MEA has started a website that claims to show how "Snyder's school cuts have hurt your district." It cites the Michigan Department of Education as a source.

But the numbers don't add up.

For example, the MEA's site states that Armada Area Schools lost \$2.8 million total from 2011-12 to 2014-15 by comparing how much funding has been lost each of those years compared to 2010-11. The MEA highlighted the district in

its magazine when Democratic gubernatorial candidate Mark Schauer made a campaign visit to the district.

But according to the MDE, the Armada district has received more money from the state in each of the three years that Gov. Snyder controlled the budget, despite a decrease in students. Armada received \$13.5 million in 2010-11, which was Gov. Granholm's last budget. The district received \$13.7 million in 2011-12 and 2012-13. It took in \$13.8 million in 2013-14.

But even Schauer concedes that Michigan schools are getting more money from the

state. In the August issue of the MEA Voice magazine, an article claims Gov. Snyder has cut \$2.8 billion from schools compared to 2011. However, Schauer is quoted in the article saying schools are getting more.

"With most Michigan schools getting about 29 cents more per pupil per school day, at the current rate of inflation, this means districts will actually get less in next year's budget than they did this year," Schauer said. ■

The original version of this story was posted online on Aug. 12, 2014. It is available with hyperlinks and more info at MichCapCon.com/20397.

WORST FUNDED

from Page Seven

leaders are not doing much to avoid fiscal calamity.

One problem local elected officials who want to enact real

pension reform face is how politically difficult it is to actually change the system to ward off disaster. Politicians who try and work for reform are confronted by mobilized public sector unions and other entrenched interests.

House Bill 4804 has been proposed in the Michigan legislature and would make it easier for citizens and local officials to reform their pension systems. According to MichiganVotes.org, the bill would "establish that

counties and local governments may adopt an ordinance that prohibits granting employees a conventional 'defined benefit' pension (rather than a 401k), and if such an ordinance is adopted, prohibit government employee

unions from making this issue a subject of collective bargaining." ■

The original version of this story was posted online on July 28, 2014. It is available with hyperlinks and more info at MichCapCon.com/20323.

PENSION PROBLEMS

from Page Seven

its system to new employees in 2005 and is paying down its debt. Plymouth closed its plan around 2001 and shifted employees to a generous 401k – it has a funded ratio of 49 percent, but is making payments and paying down liabilities.

Others are struggling to find a way out. Suzanne Moreno, treasurer for the city of Romulus, said they have shifted new hires outside of public safety officers to a defined-contribution plan. The city also trimmed benefits for pension plan members.

“We have put contract initiatives in place for new hires going forward for both pension and retiree health care, effective January 1, 2012,” Moreno said. “Employee contribution amounts

have increased, multipliers have been reduced and eligible wages for calculating final average compensation exclude overtime.”

Patrick Burtch, city manager for Jackson, said the upfront costs have delayed them shifting.

“For example, closing plans with higher than average benefit levels or instituting hybrid plans only serve to increase the amount of funds the city needs to subsidize from general operating funds,” he said. “That, coupled with a reduction in work force, means we will have significant short term complications.”

These “transition costs” happen only after cities rack up unfunded liabilities. Proponents of shifting employees to a new plan argue that they can be taken care of in a fiscally responsible way and

that leaving the system open allows for new liabilities.

James Hohman, assistant director of fiscal policy at the Mackinac Center for Public Policy, said this shows the importance of shifting employees before the problem becomes too big.

“The cost of a pension system includes uncertainty about the future,” Hohman said. “That some cities have only saved 50 cents for every dollar of benefits promised to members speaks to the danger of keeping these plans open.”

The state has attempted to incentivize cities, villages and townships to address their unfunded liabilities. One of the criteria for extra state revenue sharing is to create an “unfunded accrued liability plan,” listing what liabilities exist in the local unit, what the unit has done and what it plans on doing to address these liabilities.

A 401k, defined-contribution plan is a pay-as-you-go system and retirement plans cannot be underfunded. In contrast, defined-benefit pension systems have routinely racked up unfunded liabilities in Michigan and around the country.

There is proposed legislation in the Michigan State House that would help with this shift. House Bill 4804 would, according to MichiganVotes.org, “establish that counties and local governments may adopt an ordinance that prohibits granting employees a conventional ‘defined benefit’ pension (rather than a 401k), and if such an ordinance is adopted, prohibit government employee unions from making this issue a subject of collective bargaining.” ■

The original version of this story was posted online on July 31, 2014. It is available with hyperlinks and more info at MichCapCon.com/20361.

Oakland – the County That Could (Reform Its Pensions)

BY KRISTIANA MORK
AND JARRETT SKORUP

Oakland County offers Michiganders more than excellent shopping, dining and events. It demonstrates exemplary retirement planning.

In contrast to the majority of Michigan counties that promise employees more retirement benefits than their revenues can cover, Oakland County is nearly 100 percent funded according to its Comprehensive Annual Financial Report (CAFR).

Deputy County Executive Robert Daddow credited these savings to the county’s forethought in adopting a defined contribution, 401k-type plan in 1994.

“We switched proactively rather than retroactively,” Daddow said. “We saw the liabilities from retiree benefits and switched. At that point, federal law had changed to allow the plan. We were, and always are, trying to be at the forefront of change.”

The change paid off. Three years after switching to defined contribution plans, the county was fully funded. Laurie Van Pelt, a member of the pension board, noted that first year savings alone topped \$3 million adding up to a present day savings of \$107 million in total.

The county also benefited from risk sharing with employees.

“[The] defined-benefit [system] is a promised benefit,” Daddow said. “When investments decrease, the local unit is hammered because it still has to pay

promised benefits with decreased funds. With a defined contribution, all costs are budgeted. So when investments increase, everyone benefits. When investments decrease, employees share the decrease. For instance, the 2008-2010 depression resulted in decreased investment which delayed retirement for some employees with defined contribution plans. But now they are starting to retire again.”

Even with risk sharing, employees still opted for the benefits of Oakland’s defined-contribution plan. Most employees, including Daddow and Van Pelt, converted to defined-contribution retirement plans due to their portability, decreased vestment time, shared risk, no max out date, and the opportunity to leave funds with beneficiaries rather than the county should an employee pass away.

Oakland businesses have also benefited from the county’s cut in unfunded liabilities.

“The savings have helped retain the county’s AAA investment rating, which allows the county to manage resources more efficiently and helps keep taxes down,” Daddow said. “Oakland has seen an increase in business which boosts economic productivity and attracts investment.”

Most counties are in much worse shape. The average funded ratio for Michigan



counties is approximately 74 percent, according to an analysis of the county CAFRS. This means that the average Michigan county has unfunded liabilities equal to a quarter of its promised benefits. The average local municipality is in even worse shape.

In response, many counties are making the switch to defined contribution plans, but it isn’t easy.

“Change depends on the municipality,” Daddow said. “The number one question is: do you close the defined-benefit plan to new hires? If you are expanding, you should close to new hires, or else you will increase unsustainable liabilities. The number two question is: do you close the defined-benefit plan to current employees? You have to transfer everything. You have to cash out. And you face the risks of the market.”

He recommended that counties simply close their defined benefit plan to new employees. That way, the county can transition away from its pension system while avoiding the hassle and cost of switching employee plans and crashing into an unpredictable market.

But before counties can even begin to address those questions they must first overcome the opposition of political leadership and public-sector unions.

There are two pieces of legislation that can help with that. One is currently in place and the other has been proposed.

House Bill 4804 is sitting in committee right now. The proposal gives local voters the power to prohibit unions from re-opening a defined-benefit plan during collective bargaining once it has been closed.

Public Act 54 of 2011 also helps put municipalities on the same playing field as unions. The law prohibits automatic wage hikes after a contract has expired. Both Daddow and Van Pelt expressed their thankfulness for PA 54.

“Snyder’s initiative [PA 54 of 2011] has really helped. Before this initiative, unions could drag out negotiations and demand retroactive pay increases for the time spent negotiating, which often resulted in huge checks to union workers after the fact,” Daddow said. “Now there is no incentive for unions to drag out negotiations because there are no retroactive pay increases, which makes it much easier for the county to budget expenses, and benefits.”

Despite PA 54 of 2011’s success, Daddow and Van Pelt fear that its benefits could be short lived.

“There is a movement to make this law non-applicable to law enforcement — that would be horrible for the county,” Van Pelt explained. “That would undo all the good the law did.” ■

The original version of this story was posted online on Aug. 20, 2014. It is available with hyperlinks and more info at MichCapCon.com/20403.

Top DIA Officials Receive Huge Raises While Running Deficit, Raking in Taxpayer Money

BY TOM GANTERT

Soon after voters approved a three-county \$230 million millage for the Detroit Institute of Arts, its top two officers received increases of \$58,415 and \$98,564 in compensation.

Graham Beal, director of the DIA, saw his total compensation increase from \$455,453 in 2012 to \$513,868 in 2013, a 12.8 percent increase. In two years, Beal's total compensation has increased 20 percent from \$426,699 in 2011 to the \$513,868.

Annamarie Erickson, executive vice president of the DIA, saw her total compensation jump 36.3 percent as it increased from \$270,802 in 2012 to \$369,366 in 2013. Erickson was recently given an additional title of Chief Operating Officer, according to the DIA website.

The salaries are reported on the DIA's 990 Form. The most recent 2013 990 Form from the DIA was recently released by Guidestar.

The increases came despite what is described on the DIA website as a "structural operating deficit."

In 2012, voters in Macomb, Wayne and Oakland counties approved a 10-year, \$230 million millage for the DIA.



"They've managed to put the interests of the art patron above the interests of everybody else in the state of Michigan and enrich themselves while doing it," said Leon Drolet, chairman of the Michigan Taxpayers Alliance, who opposed the DIA millage. "That's quite a feat. ... They were able to put a very narrow interest ahead of the public interest so effectively, they should be in Congress."

When the city of Detroit went through bankruptcy, there was some discussion about what could happen to the DIA's art collection. The museum ended up being helped by state taxpayers and local foundations. Throughout the process, the DIA was clear none of its art should be sold.

"The sale or encumbrance of even one piece of art to pay Detroit's debts would have a catastrophic effect on the museum, the city and region," the DIA website stated.

DIA spokeswoman Pamela Marcil said Beal's compensation is determined by a compensation committee of the DIA board of directors and that Erickson's compensation is recommended by Beal but also approved by the committee. Marcil also said Erickson's increase was due to her being promoted to chief operating officer. ■

The original version of this story was posted online on Sept. 18, 2014. It is available with hyperlinks and more info at MichCapCon.com/20522.

Without Fracking, Oil Prices Would be at Record Highs

BY TOM GANTERT

Crude oil would cost at least a record-setting \$150-a-barrel today if not for increased oil production in the United States, according to the U.S. Energy Information Administration.

EIA chief Adam Sieminski made the comment in a recent interview with Reuters. Sieminski was appointed by President Barack Obama as EIA Administrator in 2012.

"What the EIA Administrator is telling us is without fracking in the United States we'd be paying well over \$4-a-gallon for gasoline and our economy would truly be in the tank," said Daniel Kish, senior vice president of policy at the Institute for Energy Research, a non-profit research group that advocates for expansion of domestic oil production. "All oil and gas production in the United States is done with fracking and has been for decades."

Crude oil production in the U.S. has grown by about 3 million barrels per day from Jan. 2011 to July 2014, according to the IER. The U.S. uses about 18 million barrels of crude oil per day.

According to the EIA, the per-barrel average annual cost of crude oil reached a record-high in 2013 at \$95.99.

The highest cost per barrel ever on a single day was \$147.27 in July of 2008. Currently, crude oil is selling around \$92 to \$97 per barrel.

Kish said growing economies in India and China have resulted in escalating costs.

"We are in a world market," Kish said. "It would have been one hell of a lot worse if it had not been for our production."

Pat Michaels, director of the Center for the Study of Science at the Cato Institute, said the

price of gas is less volatile due to the increased production in the U.S.

In the recent past, international events such as the U.S. bombing of Syria and Iraq would have sent the price of oil skyrocketing, Michaels said.

"Think about the last time there was a sudden shock in gasoline prices," Michaels said.



In Michigan, that was a two-month period in 2010 when gas prices went from \$3.12 in February to \$4.26 in May.

Today, some Michigan gas stations are reporting the lowest cost of gas in years. One gas station in Saginaw is reporting gas at \$3 per gallon.

John Griffin, executive director of the Associated Petroleum Industries of Michigan, said the increased domestic oil production helps out local Michigan businesses that supply that industry.

"Great news for motorists, businesses, our economy and national security," Griffin said. ■

The original version of this story was posted online on Sept. 29, 2014. It is available with hyperlinks and more info at MichCapCon.com/20547.

DO YOU LIKE WHAT YOU'RE READING?

Then sign up for our email list!

Every day Michigan Capitol Confidential features important and timely articles about state policy news. To keep up with what's going on with Michigan public policy, sign up for our email at

MichCapCon.com/subscribe

CAPCON MICHIGAN CAPITOL CONFIDENTIAL



Choosing the Next Michigan Speaker of the House

BY JACK SPENCER

In the event that the Democrats gain control of the Michigan House on Nov. 4, it is likely that the next Speaker of the House will be current House Democratic Leader Tim Greimel, D-Auburn Hills. If the Republicans retain control of the House, however, the next Speaker will almost certainly be either Rep. Kevin Cotter, R-Mt. Pleasant, or Rep. Al Pscholka, R-Stevensville.

Current Speaker and Republican House Leader Jase Bolger, R-Marshall, will be term-limited out at the end of December. His replacement as House Republican Leader will be elected by the incoming House GOP caucus. Traditionally such inner-caucus elections take place behind closed doors a few hours or days after the conclusion of the November general election.

Another tradition is that candidates vying for caucus leadership positions emphasize winning or keeping control of the House and downplay inner-caucus rivalries until the general election is over. This year is no exception; Reps. Cotter and Pscholka are clearly



Rep. Kevin Cotter, R-Mt. Pleasant, (Left)
Rep. Al Pscholka, R-Stevensville (Right)

adhering to that longstanding rule of thumb.

“Right now, I’m focusing on keeping the majority in the House and making it a stronger majority,” Rep. Pscholka told Capitol Confidential. “We need to get as many seats as possible as we look ahead to 2015-16.”

Rep. Cotter made basically the same point.

“It is true that I am seeking to be caucus leader and the race has been unfolding for some months and will continue up to when the general election is over,” he said. “We need to be careful to make sure our first priority is winning as many seats as possible so that we keep our majority in the House. It is only if we do retain the majority that our leadership race will determine who will be the next Speaker and it would be a great honor to be elected to that post by my colleagues.”

As a rule, candidates for caucus leader team up with floor leader candidates, which become more or less their running mates. Rep. Cotter is teamed up with Rep. Tom Leonard, R-Lansing; and Rep. Pscholka is teamed up with Rep. Lisa Posthumus Lyons, R-Alto.

Among Lansing insiders, Reps. Pscholka and Lyons are generally considered to lean more toward the “establishment” than Reps. Cotter and Leonard. It is difficult to tell, however, whether that assessment is accurate or primarily superficial.

A key difference is on the Obamacare Medicaid expansion which Reps. Pscholka and Lyons voted for and Reps. Cotter and Leonard voted against. On the so-called internet tax, Rep. Cotter and Rep. Lyons voted for it in committee. Neither Rep. Pscholka nor Rep. Leonard were members of the committee in which the vote was taken on the Internet tax.

Full information on the votes taken by these leadership candidates is available at www.MichiganVotes.org. But it should be noted that history indicates a lawmaker’s voting pattern can, but does not necessarily, serve as a

barometer to how they will perform in a leadership role.

Voting records of those running in caucus leadership races are only one of many considerations members take into account when deciding which candidate they’ll back. Other factors include: individual political ambitions, the kind of working relationship a member has with each candidate, which candidate is perceived to have better overall leadership qualities and which candidate the members believe would do a better job of protecting the caucus.

An issue that could have a significant impact on this year’s House GOP leadership race is the so-called Hastert Rule, under which a House Speaker pledges not to allow any measure to pass that doesn’t have the support of a majority of the members of his own caucus. In 2013, Medicaid expansion was passed by the House with the Democrats supplying most of the “yes” votes along with slightly less than a majority of the Republicans.

The Hastert Rule was named for former Republican U.S. House Speaker Dennis Hastert.

Although the Republican members who opposed

Medicaid expansion put up little resistance on the House floor, the idea of legislation passing in this manner didn’t sit well with some of them. Certain incoming House Republicans are said to be withholding their votes from both Rep. Cotter and Rep. Pscholka, until one of these candidates agrees to adhere to the Hastert Rule pledge.

Members are not required to reveal the leadership candidates they supported to the public because such votes are internal caucus matters. In close leadership elections, new members coming in to serve their first term can often play a pivotal role in determining the outcome.

There is a chance that a new candidate could belatedly and unexpectedly jump into either the House Republican or House Democratic leadership races. But that possibility appears to be a remote one. ■

The original version of this story was posted online on Oct. 1, 2014. It is available with hyperlinks and more info at MichCapCon.com/20543.

The Growth of Michigan’s ‘Shadow Government’

BY TOM GANTERT

Some refer to them as “shadow government” — the pseudo-government associations and authorities that run in conjunction with traditional forms of government.



The U.S. Census Bureau defines them as “Special District Governments” and reports that they are growing at a fast rate. From 2002 to 2012, special district governments in Michigan have jumped 33 percent from 332 to 443.

Some special district governments are well publicized.

For years, the Ann Arbor Downtown Development Authority — whose board members are appointed by the city council — has sparred

with the City of Ann Arbor over how to spend millions in parking revenue.

Others are much more obscure, such as the Michigan State Police’s Automobile Theft Prevention Authority. Its board of directors includes law enforcement and automobile insurers. The ATPA board awards grants to police agencies, prosecutors’ offices and nonprofits. It is funded by an annual \$1 tax on each insured non-commercial passenger vehicle.

Leon Drolet, chairman of the Michigan Taxpayers Alliance, said it is nearly impossible for taxpayers to keep track of how the traditional forms of government are spending tax dollars. An added layer of bureaucracy has Drolet wondering if even a full-time accountant could track all the different pots of taxpayers’ money being spent.

“When it becomes more obscure, I’m not sure anyone knows how much is being spent,” Drolet said. “It makes it even harder for the average citizen.”

James Hohman, assistant director of fiscal policy at the Mackinac Center for Public Policy, said there could be good reasons to have some special district governments.

“Some of them are just another way to tax and borrow because you can’t go through the normal channels,” Hohman said. ■

The original version of this story was posted online on Sept. 12, 2014. It is available with hyperlinks and more info at MichCapCon.com/20502.

EARLY RETURNS

from Page One

income, but it also includes dividends, interest, rent employee benefits and transfer payments like Social Security, unemployment and welfare.

“The dire predictions of right-to-work detractors have not come true — Michigan has been a leader in income growth since passage,” said James Hohman, assistant director of fiscal policy at the Mackinac Center for Public Policy.

A study released by Richard Vedder, a distinguished professor of economics at Ohio University and an adjunct scholar with the American Enterprise Institute as well as with the Mackinac

Center, found that “incomes rise following the passage of RTW laws, even after adjusting for substantial population growth that those laws also induce. RTW states tend to be vibrant and growing; non-RTW states tend to be stagnant and aging.”

The study states: “The evidence suggests that if non-RTW states had adopted RTW laws 35 years ago or so, income levels would be on the order of \$3,000 per person higher today, with the overall effect varying somewhat from state to state.”

Don Grimes, University of Michigan economist, questioned the role right-to-work plays in determining wages in either direction.

“Right-to-work, or really any policy tool, appears to play

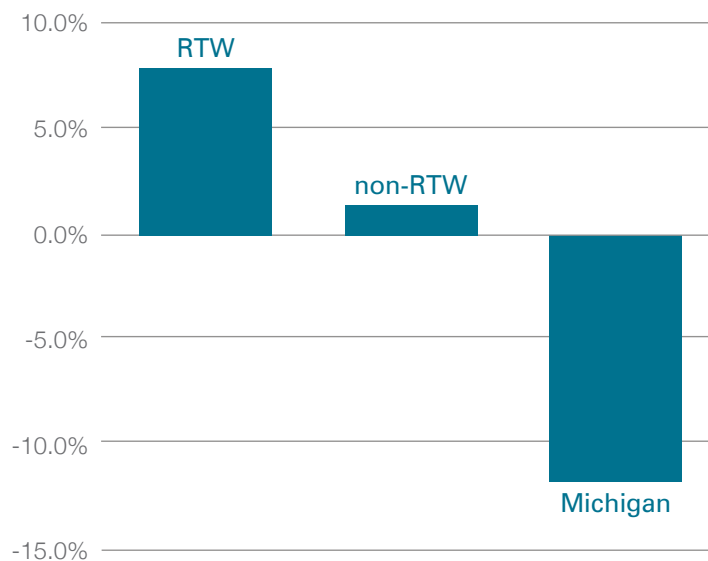
a very small role in determining wages. The two big ones are the cost of living and the state’s educational attainment mix,” Grimes said.

Hohman agreed with Grimes that educational attainment does a lot to explain state incomes and that it is generally good advice to individuals.

“I raise skepticism about it being a good predictor of future growth,” Hohman said. “That is, the states that grow their grad populations are not the states that do particularly well.” ■

The original version of this story was posted online on July 25, 2014. It is available with hyperlinks and more info at MichCapCon.com/20319.

Employment Growth, 2000-2013



Source: Bureau of Labor Statistics

Global Warming Alarmists Switch Complaints From Water Levels to Rainfall

BY JACK SPENCER

The 96 years of measuring the water levels of the Great Lakes done by the Army Corps of Engineers represent a relative sliver of time compared to the thousands of years prior to 1918 when no one was keeping track of these levels. Nonetheless, in recent years global warming adherents were citing low water levels on the Great Lakes as evidence of global warming.

Now that Great Lakes levels are no longer low, they are seizing on the recent wet weather in southeast Michigan to advance their arguments.

The 4.7 inches of rain that swamped Detroit on Aug. 11 was the second highest daily rainfall for the city since the Army Corps of Engineers started keeping records in 1918. The highest daily rainfall on record for Detroit is 4.74 inches on July 31, 1925.

One difference between Detroit’s two heaviest rainfalls is that in 1925 the Great Lakes were heading toward a period of low water levels, but now in 2014, Great Lakes water levels appear to be headed upward.



“When the big rainfall took place in Detroit in 1925, the water levels on all of the Great Lakes were below average,” said Keith Kompoltowicz, chief of watershed hydrology for the Army Corps of Engineers in Detroit. “Great Lakes water levels fell to some of the lowest recorded levels in about 1926; but by 1930 they had pretty much rebounded.”

Kompoltowicz added that some low-water level marks continued to be set on Lake Erie and Lake Ontario into the mid-1930s.

In contrast to 1925, all of the Great Lakes, with the exception of Lake Michigan-Lake Huron, are now above the long-term monthly average for August. From

a hydrological standpoint, Lake Michigan and Lake Huron are considered to be one lake. However, Lake St. Clair is considered as a separate lake, so there are still five lakes on which levels are measured in the Great Lakes system.

According to the Army Corps of Engineers, Lake Michigan-Huron is currently 15 inches above its level of last year and Lake Superior is nine inches higher than a year ago. Lake St. Clair is nine inches above a year ago and Lake Erie is three inches above last year. Lake Ontario is an inch lower than last year’s level.

Amid claims in the early 2000s that Great Lakes water levels were dropping due to global warming,

Todd Thompson, an expert on Lake Michigan-Huron water levels with the Indiana Geological Survey, argued that the levels were not out of sync from a historical perspective. In the April 7, 2003, edition of the MIRS newsletter, he said he expected the lakes to return to more “average” levels within 10 years — this prediction proved to be only one year off.

Thompson had done extensive research on sediments around the Lake Michigan-Huron shorelines and created graphs that he said represented natural high- and low-water level cycles going back more than 4,000 years — to the point when a western outlet dried up and the modern Great Lakes system was born. In 2003, Thompson also said he believed the lake levels would be on the high side by 2016.

After having set two monthly low-level records (for the period over which measurements have been taken) just a year and a half ago, Lake Michigan-Huron is now only three inches below the long-term average for August. It is 28 inches above its level of 1964, which was its lowest level recorded for August. It is 36 inches below its 1986 level, which was its highest

recorded level for August.

Lake Superior is six inches above the long-term average, only seven inches below its highest recorded August level, which was measured in 1952, and 26 inches above its lowest recorded August level, which was measured in 2007.

Lake St. Clair is four inches above the long-term average, 25 inches below its highest recorded August level, which was measured in 1986, and 33 inches above its lowest recorded August level, which was measured in 1934.

Lake Erie is five inches above the long-term average, 22 inches below its highest recorded August level, which was measured in 1986, and 37 inches above its lowest recorded August level, which was measured in 1934.

Lake Ontario is six inches above the long-term average, 22 inches below its highest recorded August level, which was measured in 1947, and 40 inches above its lowest recorded August level, which was measured in 1934. ■

The original version of this story was posted online on Aug. 18, 2014. It is available with hyperlinks and more info at MichCapCon.com/20409.

Liberal Economist: ‘Mostly White’ Oakland County Deserves the Blame For Detroit’s Problems

BY TOM GANTERT

In a recent Detroit Free Press op-ed, University of California-Berkeley Professor Robert Reich places the blame for the city of Detroit’s bankruptcy on the “mostly white” residents of Oakland County.

“But Detroit is really a model for how wealthier and whiter Americans escape the costs of public goods they would otherwise share with poorer and darker Americans,” Reich wrote. “... But one thing is for certain: A very large and prosperous group close by won’t sacrifice a cent — the mostly white citizens of neighboring Oakland County.”

The reaction of one Oakland County official was that Reich, a former U.S. Secretary of Labor, didn’t know much about his chosen topic.

“That piece is clearly misinformed,” said Robert Daddow, deputy Oakland County executive. “He doesn’t understand what he is talking about.”

By all accounts, the state and Oakland County are major stakeholders in Detroit. Here’s some things Reich overlooked about how county and state taxpayers help fund Detroit.

No. 1: People who work in the city but live elsewhere — such as Oakland County

— pay a city income tax. That income tax for non-residents is 1.2 percent, compared to the 2.4 percent that residents of Detroit pay. The city income tax brings in \$248 million and accounts for 19.2 percent of the city’s revenue.

No. 2: Detroit has a special deal with casino revenues. There are 22 other cities in Michigan that have casinos operating within their boundaries, but Detroit is the only city that can collect a “wagering tax” from casinos. That amounted to \$181.4 million in 2012, or 13.5 percent of the city’s revenue. Many of those bets,

undoubtedly, were placed by Oakland County residents.

No. 3: Detroit is budgeted to receive \$140.5 million in money taken from sales tax revenue that is collected from residents all across the state — including Oakland County — in the form of revenue sharing, which will account for 14.1 percent of the city’s revenue in fiscal 2015.

No. 4: Oakland County and its residents financially support several things that help the region, including the city of Detroit. Oakland County taxpayers voted to support a three-county millage that goes to fund the Detroit

Zoo, which is located within Oakland County in the city of Huntington Woods, as well as a millage for the Detroit Institute of Arts.

Oakland County has also given \$500,000 a year to Automation Alley for the past 14 years. Automation Alley is a technology business association that supports that industry, including businesses and institutions located in the city of Detroit. ■

The original version of this story was posted online on Sept. 16, 2014. It is available with hyperlinks and more info at MichCapCon.com/20509.

School Districts Across the State Violating Michigan Right-to-Work Law

BY TOM GANTERT

Twenty-three public school districts that signed their union contracts after right-to-work became law kept language in that told employees they had to financially support a union as a condition of employment, according to a study done by the Mackinac Center for Public Policy.

Those 23 districts employed about 2,160 teachers.

“There are thousands of teachers in these districts who

may be misled into believing they don’t have a choice when it comes to financially supporting a union in order to keep their job,” said Audrey Spalding, director of education policy and author of the study, in a press release.

Capitol Confidential asked some of the districts about their collective bargaining agreements.

• **Deb Paquette**, superintendent of Bloomingdale Public Schools, said the contract on the district’s

website was out of date. “The language has been removed via a letter of understanding with the BEA,” she said.

• **Andrea Large**, superintendent of the Ludington Area School District, said the language had been removed from the just-ratified agreement and the contract was being revised.

• **Pete Kelto**, superintendent of Munising Public Schools, said the right-to-work legislation was still being appealed when both sides ratified

the bargaining agreement. “So we left the language unchanged but agreed to abide by whatever the Appeals Court ruling was,” Kelto said. “State law would supersede the collective bargaining agreement. We actually did hire a new teacher during the past school year that did not join our education association, and the association did not pursue collecting dues from the teacher. The language will be removed from the next agreement.”

• **Amy Hodgson**, superintendent of Dansville Schools, said the language in the expired contract was not followed. She said the 2014-15 contract that was just ratified will have the contested language removed.

• **William Disch**, assistant superintendent for business services at Mattawan Consolidated School, said the language in the contract was finalized prior to the effective date of right-to-

See “Right-to-Work,” Page 14

UAW Dues Hike was Unnecessary

BY NATHAN LEHMAN AND F. VINCENT VERNUCCIO

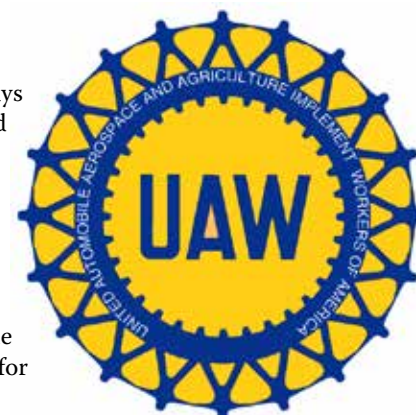
At the United Auto Workers’ 36th Constitutional Convention in June, delegates voted to hike the membership dues rate for the first time since 1967. The 25 percent increase is expected to bring in an extra \$45 million annually.

The UAW claims that this money is needed to bolster its

“Strike and Defense Fund” in preparation for 2015 contract negotiations including with Detroit’s Big Three automakers. This dues hike, however, may be unnecessary and won’t be fully used for funding strikes. At the same convention, delegates also voted to allow their leadership to siphon \$60 million from the strike fund over the next four years.

Delegates argued in favor of the hike by saying that the UAW has not altered its dues formula for nearly 50 years. The union’s dues, however, are tied to hourly wages. Each time workers receive a raise, dues go up accordingly. The new dues rate is two and a half hours of pay per month, compared to the previous rate of two hours per month.

The union’s website says the purpose of the fund is to “lessen the financial burden on striking UAW members and their families,” but the current fund is sufficient for this purpose. A serious look at the numbers calls the union leadership’s cry for more funds into question.



See “UAW Dues Hike,” Page 15

SOLVING

from Page Seven

contribution system with allowing them to invest in firefighting services.

Lemke, Plainfield Township assistant to the superintendent Pricilla Walden, and Genoa Township Clerk Polly Skolarus all said employees were happy with the retirement plans.

“401k ... gives employees considerable benefits at the end,” Skolarus said.

The earlier workers are shifted to these plans, the more stable the retirement system is for all past, present and future employees of a city. And the easier it is for local governments to spend money on the important things.

Many municipalities have long had defined-benefit pension plans. And despite huge liabilities, the entrenched interests, most prominently public sector unions, make it difficult to switch plans.

Paul Sincok is the city manager for the city of Plymouth, which is only 49 percent funded — the 4th lowest in the state. They were able to overcome the opposition

and begin shifting new employees to a 401k-type plan in 2001. This has allowed the city to put a floor on the liabilities and begin using additional money to pay them off.

“The downside of shifting is that you have to pay off the unfunded liabilities while not adding any new people into the system,” Sincok said. “So we’re funding two retirement systems at the same time. At some point in the future, we will be over that hump. The upside is that somebody sitting in my city manager’s chair off in the future is going to say, ‘Hey, I don’t have any long-term liabilities!’”

He said the elected officials in Plymouth realized the problem and made a conscious decision that shifting retirement plans was paramount.

“Long-term, pensions are not a sustainable program. We aren’t able to provide services because we are paying for people who no longer work here,” Sincok said.

Cathy Vander Meulen is the just-retired city manager for Walker. They have the 10th lowest funded ratios of municipalities

in Michigan and are in a similar situation as Plymouth.

“I think Walker was at the forefront when the decision was made in 1998 to give employees the option of switching to a 401k [and] we made it mandatory for all new employees shortly after that,” Vender Meulen said. “The unions went kicking and screaming, [but] slowly through the collective bargaining process, [we] now have only the 401k option. Since we have a closed system, we are now experiencing a sharp increase in the required contribution due to the accelerated amortization period. As the economy has improved, we have a plan to contribute additional amounts to our pension liability. We are making progress, but know that it will be challenging for a few years until we hit that peak.”

After talking to leaders in two dozen municipalities, Capitol Confidential did not find any that regretted switching from a defined-benefit pension program to a defined-contribution.

But making this switch is difficult. The cities who have done so successfully

either never had pension systems or have exceptionally strong leadership that is able to overcome entrenched opposition. The unions opposed to changing retiree benefits are lobbying those elected officials who make the decision.

Bob Williams, the president of State Budget Solutions, described the effects of current pension plans. He writes, “Without government action, states, counties, cities, and towns all over America will go bankrupt. That means essential public services must be cut, dedicated government workers laid off, disrupting or eliminating public health, safety and education.”

House Bill 4804 has been proposed in Michigan to help level the playing field. The bill would allow citizens more power in reforming local pension systems — with the hopes that more municipalities can avoid the fate of Detroit. ■

The original version of this story was posted online on Aug. 4, 2014. It is available with hyperlinks and more info at MichCapCon.com/20367.

RIGHT-TO-WORK

from Page Thirteen

work. “At the time there was a dispute over when it was actually finalized and the bargaining unit leadership filed an unfair labor practice grievance,” Disch said. “The dispute was mediated by Doyle O’Conner (administrative law judge) and the result of his efforts [was] a settlement mediated that resulted in the contract language that Mr. O’Conner said fell within the confines of the timing of the law’s effective date.”

• **John Overley**, superintendent of Lawrence Public Schools, said the disputed language was redacted on the copy the district received from its lawyer but was missed in the editing process. “It was overlooked in the editing process,” Overley said. “However, it has since been removed from the 14-15 contract. During the 2013-14 year, no teacher was required to join the union and the school did not deduct or collect dues or any money for PACs. I was assuming it was taken out. My wrong assumption and poor editing. Attached is the redacted

copy and it shows that it should have been removed.”



Audrey Spalding

Besides the 23 districts, there were another 34 public school districts whose contracts raised legal and policy questions over when their contracts were signed and put into effect. Those 34 contracts were signed before right-to-work took effect March 28, 2013, but whether they would still have to

be compliant with right-to-work is legally unclear.

Spalding collected the union contracts as late as May of 2014 for this study. Any changes to contracts after May are not reflected in the study.

After right-to-work (Public Act 349 of 2012) was passed, there were 234 school districts that signed new contracts with their teachers unions. About 33 percent of those contracts were signed between Dec. 11, 2012, and March 28, 2013.

Gary Naeyaert, executive director of the Great Lakes Education Project which advocates for charter public schools, questioned why the State Board of Education would go out of its way to crack down on charter schools but not act on conventional public



Written by Audrey Spalding, the study examines how public school districts responded to Michigan’s 2012 “right-to-work” law. You can read the paper at www.mackinac.org/20448.

schools that “blatantly ignore state law.”

“It’s a good example [showing] that the traditional districts will do whatever they can to flaunt the law until they are caught,” Naeyaert said.

In August, the State Board of Education adopted a statement that asked the state Legislature to develop school reform legislation that would create more enforcement involving laws regarding charter school transparency and accountability.

When asked about the contracts, State Board of Education member Eileen Weiser said, “Michigan is a local control state, so the State Board

of Education has no involvement in school district collective bargaining agreements. However, I am surprised to hear that some districts are not following state law. Like local school board members, I too have been elected and have taken an oath of office. Where this is occurring, school board members should evaluate if failing to adhere to the law is in the best interest of their community, including the needs of voters and taxpayers.” ■

The original version of this story was posted online on Sept. 4, 2014. It is available with hyperlinks and more info at MichCapCon.com/20464.

UAW DUES HIKE

from Page Thirteen

Calculating figures from the UAW's 2014 Report of the Secretary-Treasurer, dividing the strike fund balance by the amount of dues-paying members shows that the fund contained \$1,638 per member in 2013. This number is in line with the fund totals for most of the past three decades. For the last 30 years, the fund has contained an average of \$1,583 per member when adjusted for inflation.

Prior to 1980, the amount per member in the strike fund was much lower. Over the last 57 years, the average balance of the strike fund per dues-paying member was only \$836 in 2013 dollars.

UAW strike benefits are \$200 per week plus medical and life insurance coverage. With the strike fund balance currently at \$1,638 per member, the strike fund has enough cash right now to pay every single one of the UAW's 382,789 members strike benefits for eight weeks.

The chances of every single member striking at the same time, however, are ridiculously small. As well, large strikes are relatively uncommon and usually don't last very long. According to the Department of Labor, only about seven out of the 69 strikes in the last five years that involved more than 1,000 employees lasted longer than a month.

The last time the UAW called a major strike against one of the Big Three was against General Motors in 2007, and it only lasted two days. So if the fund is as healthy as ever, and strikes are so rare, why did the UAW insist a dues hike was needed?

The answer has less to do with work stoppages and more to do with politics. In recent years, the strike fund has become more of a slush fund. UAW executives raided it to pay for attempts to organize more employees under the union banner. Since 2006, union leadership has obtained permission to reallocate \$330 million from the strike

fund for other purposes such as organizing. In 2011, then-UAW President Bob King claimed on the cusp of an organization campaign that the union had "pretty deep pockets in terms of what we're willing to spend." A mere three years later, he told reporters, "We're at the point where we don't think [taking money from the strike fund is] the wisest decision."

Selling the dues hike as gathering funds for an "emergency" allows union leadership to cloud the issue to workers while using the money for whatever it wishes.

For the thousands of UAW members who live in Michigan

and Indiana and enjoy right-to-work protections, there is a silver lining to this hike. Once UAW contracts expire, the union can no longer get workers fired for refusing to pay them. These workers will finally have the chance to decide if financially supporting the UAW is the best use of their hard earned paychecks — and this unnecessary dues increase may be the last straw that convinces many workers to decide it is not. ■

The original version of this story was posted online on Sept. 25, 2014. It is available with hyperlinks and more info at MichCapCon.com/20541.

Union Leader Celebrates Failing School's Performance

BY TOM GANTERT

Flint Northwestern High School's academic performance is not the type most would want to celebrate. The school has consistently been among the worst performing in the state. Yet in a recent visit, the leader of the National Education Association told union members at the school that Northwestern "did it right."

NEA President Lily Eskelsen Garcia stopped at Flint Northwestern as part of a statewide tour on Sept. 24 to celebrate it being moved off the Michigan Department of Education "priority schools list." The state applies this label to the lowest performing 5 percent of schools, which makes them subject to increased supervision. When Flint Northwestern finished among the bottom 6 percent instead, it dodged this status by two percentage points.

Academic outcomes at the school show little cause for celebration. Flint Northwestern

had a four-year graduation rate of 66 percent in 2012-13 — its lowest in five years. In 2010-11, it was ranked among the bottom 13 percent of Michigan public schools. In 2011-12, it fell to the bottom 8 percent, and in 2012-13 joined the lowest 5 percent. In that year, 17 percent of students scored proficient on the Michigan Merit Exam reading test. The school's ranking in the bottom 6 percent this year represents a marginal improvement after three years of decline.

Yet during her visit, Eskelsen Garcia said, "This is a school that did it right." She told school employees, "To me, a really good school is one that's involving the whole community in caring for kids."

"We're moving up!" a Northwestern teacher said, according to a Michigan Education Association press release.

Flint Northwestern's students struggle with poverty:

82.4 percent are eligible for a means-tested federal free lunch program. But the school's poor performance cannot be blamed on low incomes. While the state's ranking system does not adjust for student socioeconomic status (SES), one developed by the Mackinac Center for Public Policy does — and based on four years of data Flint Northwestern still received an "F."

"You have a school that is failing to graduate one-third of its kids, that has received very low rankings by both the Michigan Department of Education and the Mackinac Center," said Audrey Spalding, director of education policy at the Mackinac Center. "This is a school that is failing its community."

Eskelsen Garcia's visit to Flint Northwestern came a few weeks after the national union's annual meeting, where it also recognized the school for coming off the state's low-performing watch list. The union's state chapter, the

Michigan Education Association, has also claimed credit for the marginal gain.

The high praise from the leader of the largest union in the country comes at a time when the MEA is calling for more accountability — not for conventional schools like Flint Northwestern, but for charter public schools.



Gary Naeyaert, executive director of the Great Lakes Education Project, said there is cause for celebration in Flint. Not at Northwestern, however, but at the International Academy of Flint, a K-12 charter public school less than 10 miles away from Northwestern. An even larger proportion of this school's students struggle with low income backgrounds, with 88.3

percent eligible for the free lunch program.

Yet, International Academy of Flint finished in the 44th percentile of the state's "Top To Bottom" list in 2013-14 (compared to Flint Northwestern's 6th percentile) and had a higher graduation rate (72.7 percent). The charter public school's students outperformed Flint Northwestern on the Michigan Merit Exam, with 42 percent scoring proficient in high school reading (compared to the conventional public school's 17 percent). International Academy also received an "A" on the Mackinac Center's SES-adjusted report card in 2012.

Flint Community Schools Superintendent Larry Watkins Jr. did not respond to a request for comment. ■

The original version of this story was posted online on Oct. 8, 2014. It is available with hyperlinks and more info at MichCapCon.com/20572.

I'M JUST A BILL

MichCapCon.com/VoteSpotter

UPDATE!

VOTESPOTTER

Find votes based on your interests and give feedback to your legislator, all right from your smartphone!

Michigan✓**votes.org**

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

Senate Bill 821

Impose "Amazon" internet sales tax

Introduced by Sen. Gretchen Whitmer (D)

To "tie-bar" a bipartisan personal property tax reform bill to Senate Bill 658, which would impose state sales tax on catalog or internet purchases made from sellers outside the state that have an affiliation with a different business located in Michigan, in the manner pioneered by internet retailer Amazon.com. The amendment would have required the internet sales tax legislation to become law for the personal property tax reform to do so.

House Bill 5233

Expand scope of criminal property seizure law

Introduced by Rep. Clint Kesto (R)

To expand the reach of the state's criminal forfeiture law by making the property of an owner deemed "willfully blind" to illegal activity taking place on the premises subject to forfeiture. The bill would also allow the seizure of real or personal property that had been transferred to a new owner after the crime in some cases, let the government wait up to 28 days before giving notice that property is being seized (under current law this is seven days), and authorize forfeiture for home invasion, rape and other serious sex crimes. The state criminal forfeiture law allows the government to seize property used in a crime or acquired with the proceeds of a crime, with the net proceeds from its sale turned over to the agencies that are "substantially involved in effecting the forfeiture."

Senate Bill 850

Exempt public safety employees from no-contract "step pay hike" ban

Introduced by Sen. Patrick Colbeck (R)

To exempt law enforcement and fire department employees from a 2011 law that banned automatic seniority-based pay hikes for individual government employees ("step increases") during the time when a government employee union contract has expired and no replacement has been negotiated.

Senate Bill 910

Ban enforcement of new woodstove emissions limits

Introduced by Sen. Tom Casperson (R)

To prohibit the Department of Environmental Quality from imposing new state woodstove and wood heater regulations, or enforcing new federal ones. The bill was introduced following news reports that proposed federal Environmental Protection Agency rules would impose restrictive new limits on wood heat. The House has not taken up this bill.

Senate Bill 92

Impose licensure on pharmacy assistants

Introduced by Sen. Michael Green (R)

To impose licensure and regulation on "pharmacy technicians" (assistants), with license fees, continuing education requirements, test-taking mandates and more.

Senate Bill 991

Let terminal patients try non-FDA approved treatments

Introduced by Sen. John Pappageorge (R)

To establish that a person diagnosed with a terminal illness has a "right to try" experimental drugs or therapies not approved by the federal Food and Drug Administration, subject to various conditions specified in the bill. The bill would prohibit state officials from interfering, and ban licensing boards from sanctioning health care providers who participate, subject to specified conditions. Drug makers who comply with the specified conditions would be immune from liability if the patient is harmed. The bill responds to criticism that FDA "safe and effective" standards are not appropriate in these cases.

House Bill 4783

Expand a corporate/developer subsidy regime

Introduced by Rep. Edward McBroom (R)

To authorize creation of a seventh "Next Michigan Development Corporation," which is a government agency that gives tax breaks and subsidies to particular corporations or developers selected by political appointees on the entity's board, for projects meeting extremely broad "multi-modal commerce" criteria (basically, any form of goods-related commerce). Reportedly the new entity will probably be in Detroit. In December 2013 the Legislature enacted a law authorizing a sixth such entity, this in the Upper Peninsula.