



Tlaib Against Corporate Welfare Except When She Votes For It

*In Michigan House she voted
'yes' on giving \$1.031 billion
to corporations*

BY TOM GANTERT

In her words, Detroit Democrat Rashida Tlaib has been among the most outspoken opponents of corporate welfare.

In her votes, that's not the case. Now a member of Congress, Tlaib first spent six years as a member of the Michigan House of Representatives. During that time, she voted for every direct business subsidy measure that came before her, authorizing a total of \$1.031 billion in cash transfers from state taxpayers to big corporations and developers.

Tlaib's current stance on corporate welfare was displayed in a press release requesting that several U.S. House committees hold investigative

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Photo taken by MPAC National and can
be viewed at <https://bit.ly/2qtjm86>

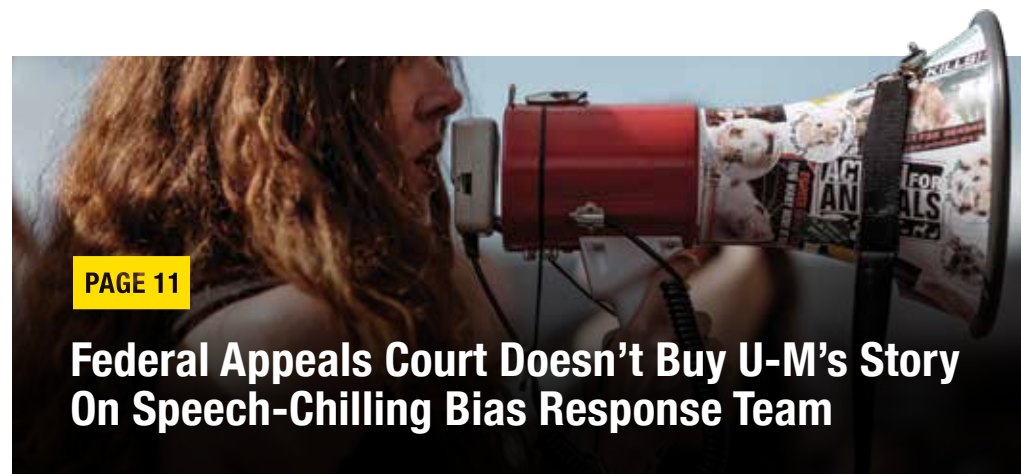


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The Detroit public school district is having a good year. The district reports enrollment of 51,006 students this fall, an increase of 830 students from the previous school year's 50,176 enrolled. Notably, this is the first real enrollment increase since at least 1999, the furthest back that online state records go.

Also, after wrestling with accounting problems in the past, the auditing firm Plante Moran noted "significant improvement" this year with the district's 2019 financial budget. That annual audited budget was recently released.

In academics, Detroit tied Denver for the highest percentage point increase by fourth-grade math students reported by the National Assessment of Educational Progress from 2017 to 2019, called the "Nation's Report Card." Math scores of both Detroit and Denver fourth graders were up 6 points, the highest among the 27 urban areas tested. Detroit still placed 27th in the overall NAEP rankings for these districts.

The average teacher salary in Michigan was \$51,317 in 2000-01. That same year the state of Michigan spent \$10.89 billion on K-12 funding.

In 2017-18, the average Michigan teacher earned a salary of \$61,908, while K-12 funding had increased to \$14.68 billion.

This means that while average teacher salaries have increased 21% from 2000-01 to 2017-18, overall K-12 funding rose 35% over that same period.

The federal grant program known as the Great Lakes Restoration Initiative gave \$735,000 in 2019 to eight Indian tribes in 2019 under the rubric of "Tribal Capacity Building." The stated intention was get the tribes more involved in the process of planning further government grants related to the Great Lakes.

For example, one grant of \$100,000 was described in bureaucratic terms:

"The Little Traverse Bay Bands of Odawa Indians (LTBB) Great Lakes Policy Specialist will continue to participate, and build upon current efforts in Lakewide Action and Management Plan (LAMP) meetings and other GLWQA partnerships/workgroups; provide Tribal input on LAMP documents and Great Lakes policies; provide education and outreach; provide technical expertise along with cultural knowledge; develop and plan future projects; share data as appropriate; and serve as a liaison among collaborative partners."

An audit of the Benton Harbor Area School District's 2018-19 annual financial report found that the district spent more than it took in by \$800,000. That marked the 13th consecutive year of deficit spending by the fiscally troubled district.

Benton Harbor schools closed the year with a \$3.7 million accrued deficit as of June 30, 2019. As of 2012, the district had an accrued deficit of \$16.1 million.

Even with Gov. Gretchen Whitmer's \$947 million in controversial line item vetoes, enactment of Michigan's fiscal year 2019-20 budget put the state on course for an eighth consecutive year of increased overall spending.

The total state budget (including federal pass-through dollars) has risen from \$47.60 billion in 2011-12 to \$57.86 billion in 2019-20. When adjusted for inflation, the \$47.60 billion from eight years ago is equivalent to \$52.86 billion current dollars.

In other words, total spending by the state of Michigan is up \$5 billion over the last eight years even after adjusting for inflation.

Wayne-Westland Community School District has seen its payments to the public school employees retirement system increase from \$8.32 million in 2009 [not adjusted for inflation] to \$20.63 million in 2019. That's a \$12.31 million increase from 10 years ago for a district that had a general fund budget of \$108.49 million in 2019.

Virtually all Michigan's public schools are feeling the squeeze from \$32.7 billion in unfunded liabilities for the Michigan Public School Employees Retirement System.

Wayne-Westland district's full-time positions have remained just about the same over that 10 year period. There were 1,567 full-time positions in 2019, just two more FTEs than the district had in 2009.

As of February of 2018, the default retirement benefit for new public school employees is a 401(k) retirement savings account with employer contributions.

Employees who work for the city of East Lansing, and the cities current retirees, are enrolled in one of Michigan's most underfunded municipal pension plans.

According to the state of Michigan's Treasury department, East Lansing's pension fund holds just 53.7% of the amount it should have to keep the pension promises it has made to members.

East Lansing's pension system has \$181.6 million in liabilities but just \$97.5 million in assets as of 2018, the most recent figures available. ■

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EPA Gives Over \$6M For Environmental Justice Activism

BY TOM GANTERT

For what may be the first time in its nine-year history, the federal Great Lakes Restoration Initiative (GLRI) will fund a project aligned with the progressive movement's view that pollution has racial implications, under a concept described as "environmental justice."

The federal GLRI grant program, which is operated by the U.S. Environmental Protection Agency, will give \$80,000 to the Red Cliff band of the Lake Superior Chippewas in Wisconsin to hire an environmental justice specialist. The grant covers wages and benefits for a full-time position to engage in educational and outreach activities.

However, the GLRI grant is not the first environmental justice spending that promotes the concept. The EPA states that it has spent more than \$6 million on environmental justice grants from 2014 to 2018. It has an initiative called the "EJ 2020 Action Agenda," which the agency describes as "focusing our attention on the environmental and public health issues and challenges confronting the nation's minority, low-income, tribal and indigenous populations."

Democratic presidential candidate Elizabeth Warren has made environmental justice one of her campaign issues.

From Warren's campaign website: "From predominantly black neighborhoods in Detroit to Navajo communities in the southwest to Louisiana's Cancer Alley, industrial pollution has been concentrated in low-income communities for decades — communities that the federal government has tacitly written off as so-called 'sacrifice zones.' But it's not just about poverty, it's also about race."

In Michigan, several bills based on the environmental justice concept have been introduced by Democrats in the state Legislature. Among other things, they would impose additional restrictions and requirements on businesses seeking an air pollution discharge permit in a ZIP code that has 35 or more active permits, and require them to produce a disparate impact study. ■

The original version of this story was posted online on Nov. 2, 2019 and is available at MichCapCon.com/26999.



State Taxpayers Giving Company \$7 Million To Move 21 Miles

BY MADELINE PELTZER

A company called Acrisure Insurance is moving from one Michigan community to another — and a state agency is giving it up to \$7 million in taxpayer money to do so.

Acrisure, reportedly one of the top 10 insurance brokers internationally, plans to move its headquarters from Caledonia to downtown Grand Rapids in 2021. The Sept. 24 announcement came after an incentives package was approved by the Michigan Economic Development Corporation, a state agency that distributes tax breaks and subsidies to select businesses and industries.

But James Hohman, director of fiscal policy for the Mackinac Center for Public Policy, argues that the MEDC shouldn't meddle in the private sector.

“The state's efforts to compete for jobs by selectively targeting certain companies is unfair and ineffective,” he said. “These programs create job announcements, but the costs to lure companies come with an economic cost as well. The money used could better help the economy if left in taxpayers' own pockets or spent elsewhere in the budget.”



Bryan Harrison, Caledonia Township supervisor, has a different perspective.

“It's important to recognize we didn't lose Acrisure to Grand Rapids; we kept them from leaving Michigan,” he said. “These jobs and the ones being created with the move will continue to help people in my community pay their mortgage and support our regional economy.”

Hohman disagrees, pointing out that the insurance giant's scope is just not large enough to drive economic trends.

“Consider that Michigan added 829,900 jobs in 2018 and also lost 794,900 jobs, according to data from the Bureau of Labor Statistics,” he said. “Announcements to move 400 jobs from one area to another — and at taxpayer expense — can't keep up

with the turnover of the state economy. The larger economic trends are going to matter a lot more to Caledonia than whether the taxpayers are subsidizing the relocation of a single business.”

Nonetheless, Harrison is confident that Acrisure's move will prove to be positive.

“Caledonia is not only a great place to live but we are a very attractive community for commercial and industrial investment,” he noted. “Township operations are financed largely by property taxes and the investment in brick and mortar remains here. I don't expect the building they are leaving will stay vacant long.”

Under the subsidy deal, Acrisure will get up to \$6 million in money called tax capture grants, which indirectly amount to letting it keep income tax paid by its workers. The company is getting another \$1 million, called a performance grant, based on meeting certain criteria in a contract with the state. The insurance firm has committed to creating and maintaining at least 400 high-paying jobs and expects to invest \$33 million in the city. ■

The original version of this story was posted online on Oct. 24, 2019 and is available at MichCapCon.com/26968.

Resort Owners On Subsidy Agency's Committee, Get Its Subsidies, Praise It In Newspaper

BY DAWSON BELL

Recently, a pair of northern Michigan business owners penned a tribute to state government's economic development agency (the Michigan Economic Development Corporation or MEDC) and its programs. The commentary appeared in the pages of the Sept. 21 Traverse City Record-Eagle.

The MEDC's work with local governments and business is a “dynamic partnership,” said Chris and Jim MacInnes, owners Crystal Mountain Resort in Thompsonville, which ensures that Michigan “industry, tourism and economic development work together to create opportunities and success for the people of our state.”

The MacInnes' support of the MEDC and its array of taxpayer-funded subsidies for selected is unsurprising.

As noted in an “about the author” note attached to the column, Chris MacInnes is a long-serving member of MEDC's executive committee. That's the group of

public officials and business leaders charged with “overall management and control” of the agency.

Also, as noted in the tribute to the MEDC, Crystal Mountain received an MEDC-awarded subsidy in 2015 “to support two of our major expansion projects.”

The size of the award, a federal Community Development Block Grant administered by the state agency, was omitted from the column; it was \$463,370.

The MacInnes' column closes with encouragement to the Legislature to provide “adequate resources and funding” to MEDC programs.

In light of those circumstances, Michigan Capitol Confidential made an email inquiry to the resort asking why taxpayers should not regard this as crony capitalism. It did not respond.

MEDC spokesman Otie McKinley said in an email that the Crystal Mountain grant application was made through Benzie County “to assist in a growth and expansion project in the community.”

The application met all of the federal program requirements, he said. Asked if any concerns arise about a conflict of interest when a business owned by an MEDC committee member seeks MEDC program funding, McKinley said “executive committee members aren't part of the ... decision making process” for business subsidies.

Those decisions are made by the board of the Michigan Strategic Fund, he said. Meanwhile, the discussion of taxpayer-funded business subsidies continues in Lansing.

The fate of one of MEDC's most prominent programs, the Pure Michigan tourism advertising campaign, remains uncertain for 2020 after Gov. Gretchen Whitmer zeroed out its appropriation with a budget veto. Some analysts, recommend it be kept that way. ■

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TLAIB

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hearings on whether political campaign contributions influenced the process for designating parts of Detroit as “opportunity zones,” areas in which developers can get federal tax breaks. Tlaib’s request was based on a ProPublica article claiming that the zones fail to meet the law’s eligibility standards, allegedly due to lobbying by billionaire developer Dan Gilbert and other political donors.

“This is yet another example of how corporate greed and the influence of billionaires have infected our government like a disease,” Tlaib said.

“Residents in my district have witnessed time and time again how the desires of wealthy individuals are put before their

needs — enough is enough,” she continued. “This is not how our government, or our democracy should work. We must take action to uncover the truth.”

Tlaib’s attitude about taxpayer subsidies for politically favored developers and corporations may have changed since she was termed-limited out of the Michigan House of Representatives at the end of 2014. The conclusion is based on a 2018 analysis by the Mackinac Center for Public Policy that tracked votes to authorize business subsidies by every Michigan legislator going back to 2001.

As a state representative from 2009 through 2014, Tlaib voted for every one of the corporate subsidy authorizations that came before her, voting “yes” in each case, with the exception of one roll call vote for which she was absent (Tlaib missed a total

of 43 roll call votes during the 2009-2010 Michigan legislature).

Specifically, the analysis examined votes on bills that authorized actual cash payments to businesses, not just tax breaks or other selective privileges.

During her six years in the Michigan House Tlaib was generally supportive of programs that grant tax breaks and other kinds of privileges to certain businesses, in the name of economic development. One notable exception occurred on a vote for a different kind of subsidy in 2012, which was using the Detroit Downtown Development Authority to funnel taxpayer dollars to Detroit Red Wings owner Mike Ilitch for a stadium complex. Tlaib joined 36 other Democrats and 12 Republicans in voting against the measure, which passed 58 to 49.

Tlaib also criticized corporate welfare

in January in a newspaper commentary, when she alleged business subsidized corporations’ “greed” while citizens received “nothing in return.”

Six months after Tlaib left the Michigan House, the legislators enacted a law authorizing hundreds of millions in subsidies to Detroit developer Dan Gilbert in the form of cash transfers of revenue collected from people and businesses who paid Michigan state income and other taxes. The vote in the House was 85 to 22, with just three Democrats voting “no.” (The three were Stephanie Chang, Yousef Rabhi and Rose Mary Robinson).

Tlaib’s office didn’t respond to an email seeking comment. ■

The original version of this story was posted online on Nov. 13, 2019 and is available at MichCapCon.com/27018.

Senate Democrat Gets Chance To Oppose Corporate Subsidies, Takes It

BY TOM GANTERT

Senate Minority Leader Jim Ananich of Flint has called for terminating long term-corporate subsidy payments previous legislatures authorized back in the 2000s for a handful of big companies. Importantly, these were not just one-time subsidies, but agreements for the state to keep paying the companies up to 20 years for jobs they retain rather than eliminate.

Voting records show it’s not uncommon for Democrats who may criticize corporations and corporate subsidies in speeches and press releases to then vote “yes” when the subsidy authorizations come before the Legislature. That also applies to some Republicans who criticize subsidies.

Ananich recently had a chance to oppose keeping one subsidy program going, and he did so. He voted “no” on a bill that will generate about \$12 million in taxpayer liabilities, according to a fiscal agency bill summary.

Ananich voted against House Bill 4189

on Sept. 17, which passed the Senate 31-6. If the House and governor go along, the bill will allow the successor to the Federal Mogul company to benefit from subsidies authorized years earlier. Ananich and four other Senate Democrats opposed the bill, plus just one Republican.

The tax credits authorized for Federal Mogul, and now being claimed by its successor Tenneco, were among the subsidies granted by the Michigan Economic Growth Authority in the 2000s. The terms of this long-term agreement had already been modified by previous legislatures several times to accommodate the company’s inability to meet requirements related to job retention and other criteria.

That is essentially what the bill Ananich opposed will do, except the subsidy recipient is the firm that acquired Federal Mogul, and the issue is complicated by some technical factors related to that acquisition.

“Michigan has no shortage of underfunded programs, whether it be K-12 schools, local public safety, or, most notably, the roads,”



Ananich said in a Sept. 10 press release. “While we’re debating where we’re going to have to make painful cuts in the budget, our state is sitting on a pot of money being held hostage by corporate accountants looking for a taxpayer-funded windfall. For a decade,

big corporations have received break after break, and it’s time for them to start paying their fair share.” ■

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Conflict Of Interest: Officials With Turbine Tower Leases Approve Wind Development

'First you harvest the (local) officials, then you can harvest the wind'

BY DAWSON BELL

An industrial wind facility is set to launch in Hillsdale County next year, despite significant opposition from local residents and questions. The opposition stems in part from a series of approvals granted by Wheatland Township officials who stand to benefit financially from the construction and operation of wind turbine towers and related facilities.

Opponents of the Crescent Wind Energy Center, organized as Concerned Citizen of Wheatland Township, claim the township's planning commission and board rammed through ordinance modifications and use permits for Chicago-based developer Invenergy in 2018-19 despite widespread conflicts of interest.

During three of four public meetings on the project over those two years, said Chris Pollard, a leader in the Concerned Citizens group, the conflicts came up. In those meetings, a majority of both the commission and board was made up of members who had signed turbine tower lease contracts with the wind development company or had relatives who had done so.

A fourth meeting was held by the planning commission in 2018. At that meeting, a motion to approve an ordinance authorizing the Invenergy proposal was made by a commissioner who had signed a 25-year easement and tower lease, Pollard said. (His assertion, he said, is supported by commission minutes and county property records.) The approval, offered by the commissioner who also was the father-in-law of the township supervisor, was adopted without a recorded vote, according to Pollard.

Concerned Citizens plans to challenge the allegedly improper approval in court, he said. The Crescent Wind project, with at least 63 turbines over 25,000 acres across three townships, is nevertheless moving forward. The Michigan Public Service Commission last month approved the sale of the completed project, as well as the authorization to recoup its costs, to Consumers Energy, one of Michigan's two regional electric utility monopolies.

Kevon Martis, an activist from nearby Lenawee County who monitors wind energy developers, said Invenergy's strategy in Wheatland Township was clear-cut.

"First you harvest the (local) officials, then you can harvest the wind," he said.

Martis has been involved in many grassroots campaigns to curb the proliferation of industrial wind developments. He describes them as government-sponsored and subsidized boondoggles that lead to higher energy costs while marring the landscape and disrupting local communities. Local opposition has resulted in 20 township referendums in Michigan since 2007, Martis said, each of which ended in defeat for wind interests.

The Crescent Energy project has reached near-fruitful largely by operating under the radar in its early stages, Martis said. During that period, Invenergy entered into lease contracts for towers with dozens of landowners in Hillsdale County, including local officials in Wheatland.

Wheatland Township Supervisor David Stone said financial ties between board or planning commission members and the wind development company were not a significant factor in local officials' decision-making. The planning commission, where four of seven members acknowledged holding contracts with Invenergy before they recommended the township approve the permits, is merely an advisory body, Stone said.

They have "no authority or power," he said. According to Stone, only one member of the five-person township board has a direct interest in the financial success of Crescent Wind. (That member has lease contracts for 3 turbines and two substations, the Concerned Citizens group found, and has sold a parcel of property to Invenergy).

Stone said three other board members who have direct relatives with Invenergy contracts, including himself, are not conflicted and acted within their authority in approving the new wind ordinance and use permits.

Because of the breadth of the project, which includes an estimated 33 turbines in Wheatland, "it's hard to find somebody who is not connected (to Invenergy)," Stone said.

Michael Homier, a veteran municipal lawyer based in Grand Rapids, said the rapid proliferation of wind energy developments has created an

unprecedented level of alleged conflicts of interest by local officials in recent years.

He said that may be merely the nature of a business that uses so much land. But it is also possible that wind energy companies are gaming the system by targeting for development properties owned by local officials, Homier said.

Homier said state law requires members of a planning commission to disclose potential conflicts before acting on a development proposal. But the law provides no clearly defined circumstances under which an official can be prohibited from participating, he said. "The law is simply not settled on what happens when a majority (of members) is potentially conflicted, and (the board or commission) would have no quorum."

A bill introduced in the Michigan House in 2017 would have made it a crime for members of a planning commission to not disclose a conflict and not abstain from voting on developments from which they benefit. At a hearing on the bill, residents of several communities targeted for wind development documented such conflicts of interest. The bill did not advance, however.

Invenergy declined to respond directly to questions about the alleged conflicts in Wheatland, instead providing a statement that touted the benefits of the Crescent Wind project to the local government treasury and the economy.

The project has been underway for nearly a decade, and "Invenergy has worked openly and transparently with community members, townships and the county during that time."

Further, the company said, "There is strong support for the project. Many people want to see it built and are ready to receive the benefits Crescent Wind will bring to Hillsdale County."

Stone said he believes the board and planning commission acted properly and "out of respect for the people who don't want (windmills)."

"We're neutral," he said. "I have friends on both sides. But I'm not getting any compensation. The board was not receiving any compensation." ■

The original version of this story was posted online on Nov. 5, 2019 and is available at MichCapCon.com/27003.



Large Hospitals Want State Monopoly On New Cancer Treatment

BY DAWSON BELL

A new rule proposed by a state regulatory body to limit access to a new cancer treatment would be blocked under a resolution introduced Tuesday in the state Senate.

Senate Concurrent Resolution 14 would halt a proposed “final action” of a rule approved by the state Certificate of Need Commission in September. Its rule would require providers of immune effector cell therapy services to seek outside accreditation, in addition to getting approval under a federal drug safety process.

The requirement “would limit patient access to innovative, new cancer treatments,” the resolution states, calling it “unnecessary ... onerous and costly.”

The resolution would have to be approved by both the House and Senate by Nov. 7 to block the rule. It would be the first time that legislators blocked a rule from the commission, which was created in 1978 to limit capital expenditures by medical facilities on expansions and expensive technology.

State Rep. Hank Vaupel, R-Fowlerville, chairman of the House Health Policy Committee, said Tuesday he is inclined to support the resolution, but its fate is uncertain. Vaupel said that federal safety standards for cell therapy cancer treatments — in which the blood of a patient is extracted, modified in a laboratory to attack cancer and re-infused — are adequate. Michigan, he said, should



not become the first state in the country to impose restrictions on it.

The CON commission rule is supported by the state’s largest hospital systems, which argue that the treatments currently available, known as CAR-T therapies, are so complex, expensive and potentially dangerous that rigorous oversight is required. Robert Hughes, president of Advantage Benefits Group and a CON commission member, said in an interview with Michigan Capitol Confidential that

outside accreditation would help contain costs without unduly limiting access. Most importantly, he said, the new rule would ensure the safety of patients.

Hughes describes himself as a free-market conservative, “but health care is not a free market,” he said. “Half of all customers are covered by the government (Medicare and Medicaid).” While new cellular therapies using blood modified in a laboratory are promising, he said, they are also extremely expensive and perilous.

“The complexity of administering these drugs is off the charts,” Hughes said. “There is not much room for error.” Absent outside accreditation, providers could “select the wrong patients ... (or) administer (therapies) improperly, killing someone,” he said.

Dr. Mark Campbell, an oncologist and president of the Cancer and Hematology Centers of Western Michigan, strongly disagrees with that assessment. Campbell, whose centers employ 25 oncologists and serve nearly 8,000 patients a year at clinics at a half dozen clinics in Grand Rapids and rural communities to its north, said, “It is an insult to suggest we would select the wrong patients.”

Community clinics, like those run by his organization, provide a vital service to cancer patients who live and work far from urban centers, providing both effective and less expensive treatment, Campbell said.

“No one seems to care about the farmer (and cancer patient) who lives 20 miles north of Fremont, and can’t readily travel to Ann Arbor or Detroit,” Campbell said.

When the specific needs of a patient at his clinics require the services of a major hospital system, they get referred there, he said, just as the hospital systems refer patients to his facilities. The need for the new CON rule has not been demonstrated, Campbell said. “Why suddenly is this necessary?” ■

The original version of this story was posted online on Oct. 30, 2019 and is available at MichCapCon.com/26980.

Corporate Subsidy Formula: Big Promises In Headlines, Failures Invisible

BY TOM GANTERT

Government programs that authorize substantial grants of state taxpayer subsidy dollars for select corporations operate according to a certain formula.

The state agency that awards these subsidies notifies legislators and other elected officials in the area near the company or developer getting the money. The politicians put out a press release praising the program. They applaud the grant and the agency that made it, the Michigan Economic Development Corporation. Local newspapers and TV stations frequently repeat the claims found in the press releases.

But after the dollars are handed over and the news stories written, the

effectiveness of the business subsidies are rarely examined.

State Sen. Kim LaSata sent out a press release this week, applauding the Michigan Economic Development Corporation for giving \$80,000 in state taxpayer money to three Niles businesses. The release said the companies are projected to create 12 full-time jobs and 10 part-time jobs with the \$80,000.

“This is an exciting announcement that will help make Niles that much more of an attractive place for business, residents and visitors alike,” said LaSata, R-Bainbridge Township. “I appreciate the MEDC’s continued support of Southwest Michigan.” LaSata is hardly alone in issuing such notices. Like most state legislators over the

past 20 years, she has also voted to authorize corporate and developer subsidies.

Some of the subsidy deals the state makes each year, like the ones in Niles, are small. Others involve much larger firms — and payments. But even when combined, they are so dwarfed by the size of Michigan’s dynamic job market that they barely warrant an asterisk.

The Michigan economy created 213,435 new jobs in the final quarter of 2018, and 196,541 other Michigan jobs disappeared in that period, according to the U.S. Bureau of Labor Statistics. The magnitude of these quarterly figures is typical, according to Mackinac Center for Public Policy fiscal analyst James Hohman. In good times, the number of jobs created

outnumber those of jobs lost, and overall statewide employment grows. In recessions, the opposite happens.

Historically, most of the job promises made by subsidy programs under the MEDC umbrella are not fulfilled, and there is very little accountability for the lack of results.

A 2013 analysis by the state’s Auditor General found that just 19% of the jobs projected by the MEDC’s 21st Century Jobs Trust Fund came to fruition. And one of its 2019 reports stated that just 51% of the jobs initially projected by the MEDC were actually created in the Michigan Strategic Fund. ■

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Taxpayers Pay \$50 Million For State Police Double-Dipping Program Since 2015

BY SANDY MALONE

A program intended to keep Michigan State Police troopers from retiring when they become eligible for a state pension has cost taxpayers more than \$50.1 million since 2015.

In 2018, one MSP employee received \$504,000 from the program, and four others received more than \$400,000 each. The information comes from a Freedom of Information Act request made to the Michigan State Police, which did not release the names of the individuals in the program.

Documents received in a response to a Mackinac Center for Public Policy request revealed that the payouts had risen to \$16,403,264 in 2018, up from \$7,227,243 in 2016, an increase in payouts of almost 127%.

Lawmakers created the Deferred Retirement Option Plan, or DROP, in 2004, when state troopers were retiring faster than budget-makers could find money to replace them.

At that time, the number of active MSP troopers had fallen to 1,080, down from 1,340 in 2001. Training enough new recruits to replace them was so costly that just two cohorts of new troopers were enrolled in a training school between 2002 and 2010.



Lawmakers determined that rather than hire new cohorts, it would be cheaper to entice experienced, retirement-eligible troopers to get pension benefits and also remain on the payroll for up to six additional years as active employees. Under DROP, participants receive early pension benefits that are deferred and held for them in an interest-bearing account. Once they retire, the benefits are paid out, and they start getting regular monthly pension checks.

This is essentially a legal form of double-dipping that allows employees to get both regular pay and (deferred) pension benefits for up to six years while still on the job.

Over the past five years, a large number of participants have maxed out their six-year DROP eligibility and retired, collecting large lump sum payments in addition to a lifetime pension and health insurance benefits.

An analysis done by the Mackinac Center for Public Policy in 2017 showed that an employee with 25 years on the job and an annual salary of \$109,000 would walk away with an additional \$435,725 after six years in the DROP program.

According to the study, 17 Michigan State Police employees were paid \$109,000 or more in 2016.

In 2016, only one participant received a lump sum greater than \$400,000.

But according to figures received from the state, in 2018, five employees collected more than \$400,000 in addition to their pensions. One employee had collected more than \$500,000. Retirees are also allowed to spread their payments over a five year-period for tax reasons.

Despite the increasing costs, Michigan State Police told Michigan Capitol Confidential that the DROP program is as crucial today as it was when it was first launched because the department is still understaffed.

“Despite being able to hire over 1,000 new troopers in the last decade, 15 years after establishment of the DROP, enlisted staffing has only grown by 107 enlisted members to a total of 1,915,” Michigan State Police spokeswoman Lori Dougovito said in an email. “Because enlisted attrition has been so high and is forecasted to remain high in the upcoming years, the argument in support of the DROP is no less valid today than it was in 2004.”

Dougovito said there are 225 active employees in the DROP program, and 70% of them are either troopers or sergeants. ■

The original version of this story was posted online on Nov. 4, 2019 and is available at MichCapCon.com/27000.

In Michigan, More Getting Richer, Poor Getting Less Poor

BY DAWSON BELL

The years since the end of the Great Recession have brought substantial wage gains to Michigan workers on both ends of the economic spectrum. That’s according to census data as reviewed by James Hohman, director of fiscal policy at the Mackinac Center for Public Policy.

Hohman’s analysis found that since 2010, the number of Michigan households reporting an income below \$30,000 per year declined by 259,000, or 20%. The ranks of households with earnings above \$75,000 per year, meanwhile, increased by 45%, or 458,000.

The numbers, taken from the Census Bureau’s American Community Survey, belie the notion that Michigan’s economic recovery has left behind low-income earners, Hohman said.

“There is more wealth across the board,” he said. “The rich are getting richer, but the



poor are getting richer, too.”

The household income data is not adjusted for inflation, Hohman said, but there is a clear trend of broad-based wage growth.

University of Michigan economist Don Grimes agrees that incomes have been

growing for both low- and high-wage earners.

But the Census Bureau’s poverty index, which is adjusted for inflation, may be a more accurate measure of the state of those on the bottom rungs of the economic ladder, Grimes said.

Last year, the poverty rate in Michigan was 14.1% of all households, down from a high of 17.5% in 2011, according to the Census Bureau. The poverty line for a family of four is an income of \$25,465 per year.

Comerica Bank economist Robert Dye said economic activity indexes have shown that Michigan recovered “very strongly” from the Great Recession. But in the last two years, he said, that recovery has slowed, and it may be negatively affected further by the ongoing strike at General Motors.

The Mackinac Center’s Hohman has a rosier view. “The bottom line is that there are fewer Michigan households relying on low incomes and a lot more households earning higher incomes,” he said, “That’s good news.” ■

The original version of this story was posted online on Oct. 15, 2019 and is available at MichCapCon.com/26937.

Millionaires Eligible For Welfare? Proponents Of Rule Change Say It's Technically Possible

Critic calls system 'completely divorced from the original congressional intent'

BY DAWSON BELL

A proposed federal rule change on food stamp eligibility could soon end benefits for tens of thousands of Michiganders who are enrolled in the program by virtue of having qualified for other forms of welfare.

The new regulation is aimed at “preserv(ing) the integrity of the program while ensuring that nutrition assistance programs serve those most in need,” Agriculture Secretary Sonny Perdue said in announcing the proposal in July.

It would revoke regulations and guidance issued during the Clinton and Obama administrations. Those changes had allowed states to grant “categorical eligibility” for food stamps to those already enrolled or eligible for other kinds of welfare programs, such as cash assistance or child care subsidies.

The Michigan Department of Health and Human Services estimates that about 144,000 people in the food stamp program

(formally known as the Supplemental Nutrition Assistance Program, or SNAP) would be affected.

Critics of categorical eligibility for SNAP say the previous revisions created a loophole that undermines the core principle of the program — providing food security to the truly needy. Income thresholds required for eligibility for other forms of welfare are often higher (200% of poverty rather than 130% for food stamps), they say.

Asset limits are also less stringent for SNAP under current rules, making it hypothetically possible for a millionaire with little or no regular income to qualify, according to those who support the proposed change.

Only seven states used the categorical eligibility standard in 2006, but 43 (including Michigan) did so in 2017, said Scott Centorino, a senior fellow at the Foundation for Government Accountability.

Nationally, participation in the program rose sharply, peaking at 47.6 million in 2013.

As a result, the food stamp program has been “completely divorced from the original congressional intent,” Centorino said.

In some circumstances, the act of applying for food stamps makes a person a recipient of welfare and therefore categorically eligible, he said. That’s because federal welfare funds are used to produce the application.

A spokesman for Michigan’s human services department defended the use of categorical eligibility as way to save time and money, adding that those who would lose benefits under a rule change are genuinely needy.

Spokesman Bob Wheaton said virtually all food stamp recipients in Michigan are subject to screening for income and assets. Applying for benefits does not make an applicant categorically eligible for food stamps in Michigan, he said, although applicants who are eligible for other programs but not receiving their benefits can still obtain food stamps.

Gov. Gretchen Whitmer has joined a coalition of governors opposing the proposed new rule, calling it an “attack on low-income Americans.”

The number of food stamp recipients in Michigan has fallen sharply since peaking at nearly 2 million in the wake of the Great Recession to under 1.2 million today.

The decline is attributed largely to gains in employment and household income. But the state also enacted work requirements for able-bodied adults on food stamps in 2018. Earlier in the decade, several well-publicized stories that provoked public outrage came out of Michigan. They involved six-figure lottery jackpot winners who continued to receive benefits. State lawmakers responded with legislation that authorized welfare administrators to purge lottery winners from the rolls. ■

The original version of this story was posted online on Sept. 28, 2019 and is available at MichCapCon.com/26888.

Doubling State's 1,100 Wind Turbines Won't Replace This One Coal/Gas Plant

BY TOM GANTERT

Consumers Energy would have to double the number of wind turbines currently operating in this state to replace the electricity produced by just one of the coal- and gas-fired power plants it intends to close as part of its plans to rely more on renewable sources. The problem, however, is that those additional turbines only spin about one-third of the time, leaving a big energy gap for the households and businesses that rely on the company for their electricity.

According to a recent report from the state Public Service Commission, regulated utilities and their vendors operate 1,107 industrial wind turbines in Michigan. These can produce 1,925.3 megawatts of electricity, but only when the wind is blowing.

Compare that to the Dan E. Karn generation plant in Bay County, which Consumers Energy plans shut down by 2032. Its four coal and two natural gas burners can produce up to 1,946.3 megawatts regardless of wind or weather.

Because the wind only blows intermittently, wind turbines in Michigan



have a 36% capacity factor. That is, they can produce 1,925.3 megawatts of electricity just 36% of the time, on average. This means that, theoretically, it would require building another 2,162 wind turbines to replace the Karn coal plant.

But even that would not meet the need, because there is not enough variation in weather across Michigan to ensure that if

turbine blades aren't spinning in one area, they will do so elsewhere. When the blades are not spinning, Michigan's utilities and the customers who rely on them would have to hope that utilities in other states have extra power available to sell at reasonable rates.

Coal-fired generators provided 37% of Michigan's net electricity generation in 2018, according to the federal Energy

Information Administration. Renewable sources provided 8%, with more than half of that coming from wind turbines.

Consumers Energy retired seven of its coal-fired generation plants in 2016. In June, the company announced it was closing the two coal-fired units at the Karn plant as of 2023.

Consumers Energy recently put representatives on tour around Michigan to promote the company's plans to rely on intermittent renewable sources for 90% of the electricity its customers need by 2040.

Michigan's law regulating regional electric monopolies like Consumers Energy and DTE Energy guarantees them a return of around 10% on all their operations. Those operations include tearing down existing power plants and replacing them with new facilities, including renewable source generators.

This story depends on an analysis done by Jason Hayes, the director of environmental policy at the Mackinac Center for Public Policy. ■

The original version of this story was posted online on Sept. 23, 2019 and is available at MichCapCon.com/26859.



Federal Appeals Court Doesn't Buy U-M's Story On Speech-Chilling Bias Response Team

Orders district court to reconsider the operation's 'implicit threat of consequence'

BY SANDY MALONE

A federal appeals court recently held that a collection of officials at the University of Michigan called the “Bias Response Team,” may be stifling free speech. The team is comprised of administrators and law enforcement personnel employed by the school and “is tasked with investigating and punishing” students accused of “bias-related misconduct,” according to the plaintiff in the case.

Speech First, a nonprofit, First Amendment watchdog group, sued U-M in May 2018, alleging that the university “created an elaborate investigatory and disciplinary apparatus to suppress and punish speech other students deem ‘demeaning,’ ‘bothersome,’ or ‘hurtful.’” Among other defects, the complaint noted, this caused the university to “capture staggering amounts of protected speech and expression.”

Speech First argues that the team is illegal because of the chilling effect it has on free speech when students fear violating highly subjective rules and standards of what words or actions another individual may regard as “offensive.” According to the complaint, “Under this regime, the most sensitive student on campus effectively dictates the terms under which others may speak.”

The university’s response was to claim that team members could ask offending students to meet with them to discuss “potentially offensive speech,” but they could not force them to do so, according to a report published by Inside Higher Ed.

Speech First argued that because team members are authorized to refer incidents to campus law enforcement, the university’s Office of Student Conflict Resolution, or its mental health counseling center, they do in fact act in a potentially disciplinary capacity.

After the suit was filed, the university changed the wording of its policy in what it called an effort to clarify and standardize the definitions of bullying and harassing, both of which were central to the lawsuit.

U.S. District Court Judge Linda V. Parker, in August 2018, refused to issue an injunction halting any university disciplinary actions under a bullying and harassment policy, according to an MLive report. Parker ruled that Speech First lacks standing to sue because the response team was purely supportive and educational, not a disciplinary body.

Additionally, the district court ruled that the university had since changed the language of its policy, making those aspects of the lawsuit moot.

Speech First appealed the ruling to the U.S. Court of Appeals for the Sixth Circuit,

and on Sept. 23, this court held that the organization does, in fact, have standing to sue because its student members at the university “face an objective chill based on the functions of the Response Team.”

“By instituting a mechanism that provides for referrals, even where the reporting student does not wish the matter to be referred, the University can subject individuals to consequences that they otherwise would not face,” the appeals court wrote. “Additionally, the invitation from the Response Team to meet could carry an implicit threat of consequence should a student decline the invitation.”

“Although there is no indication that the invitation to meet contains overt threats, the referral power lurks in the background of the invitation. It is possible that, for example, a student who knows that reported conduct might be referred to police or OSCR could understand the invitation to carry the threat: ‘meet or we will refer your case,’” the appeals court said.

“Additionally, the very name ‘Bias Response Team’ suggests that the accused student’s actions have been prejudged to be biased,” the court continued. “The name is not the ‘Alleged Bias Response Team’ or ‘Possible Bias Investigatory Team.’”

The appellate court also disagreed with the lower court’s determination that Speech First’s claims were moot (no longer

relevant). The “voluntary cessation of the alleged illegal conduct does not, as a general rule, moot a case,” it wrote. The appellate court also said that just because university had rushed through changes to its policy in the face of a lawsuit, there was no guarantee that the wrongful conduct would not recur.

“The University has not, however, pointed to any evidence suggesting that it would have to go through the same process or some other formal process to change the definitions again” the court wrote in its decision. Also, “The University has not affirmatively stated that it does not intend to reenact the challenged definitions.”

The appeals court’s opinion said that the timing of the university’s policy revision “raises suspicions” and actually “increases the university’s burden to prove” whether its stated intentions of protecting free speech are genuine.

The appeal court panel stopped short of ordering the district court to issue the injunction. Instead, it sent the case back to the lower court to reconsider its merits.

The University of Michigan said it would not comment due to pending litigation. Speech First did not respond to a Michigan Capitol Confidential invitation to comment. ■

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MichiganVotes.org

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

Senate Bill 463

Clarify that parent eavesdropping on child is not unlawful

Introduced by Sen. Peter Lucido (R)

To add a parental exception to a law that defines eavesdropping that is not otherwise prohibited by law. The bill would permit eavesdropping by a parent or guardian who listens in on the private conversations of a child who is a minor.

House Bill 4931

Ban driving with dog on lap

Introduced by Rep. LaTanya Garrett (D)

To prohibit driving while with a dog sitting on the driver's lap, except for "medical purposes" as defined by the federal Americans with Disabilities Act. Violations would be subject to a \$100 civil fine, and \$200 for subsequent offenses.

Senate Bill 622

Repeal most restrictions on abortion

Introduced by Sen. Mallory McMorrow (D)

To assert as a "fundamental right" the ability of an "individual" to have an abortion before fetal viability, or after viability if a health care professional thinks it is necessary to protect the life or health of the pregnant "individual." Also, to make it unlawful to "deny, interfere with, or discriminate" against choosing or refusing contraception or sterilization "in regulating or providing a benefit, a facility, a service, or information." This would also apply to jail and prison inmates.

Senate Bill 632

Give state identification to undocumented, unverified aliens

Introduced by Sen. Winnie Brinks (D)

To require the Secretary of State to issue a state identification card to anyone who can demonstrate they reside in Michigan and can prove their identity, without regard to citizenship or legal residence status. Also, to give a temporary ID card if the individual cannot prove their identity. The cards would have to indicate that they are "not valid for official federal purposes."

House Bill 5041

Authorize automated "photo cop" school bus passing citations

Introduced by Rep. Tyrone Carter (D)

To authorize the use of cameras attached to school buses to prosecute motorists who illegally pass a stopped school bus. Also, to make this a crime punishable by 93 days in jail, a \$500 fine, or 100 hours of community service in a school.

House Bill 5136

Require new law before any new vaccination mandates

Introduced by Rep. John Reilly (R)

To prohibit state health regulators from promulgating any new school or other immunization rules or mandates unless specifically authorized by newly enacted laws. Current rules and mandates would remain in effect.

Senate Bill 569

Eliminate "Columbus Day," replace with "Indigenous Peoples' Day"

Introduced by Sen. Mallory McMorrow (D)

To eliminate Columbus Day as a state holiday, and make the second Monday in October an official "Indigenous Peoples' Day" holiday in Michigan. The bill amends a law establishing state holidays, and would also make the November general election date a state holiday. A previous "Indigenous Peoples' Day" proposal would have used a different date, and not eliminated Columbus Day. Columbus Day is also a federal holiday, which would not be affected by this bill.

Senate Bill 608

Authorize eviction for false "emotional support animal" claim

Introduced by Sen. Dale W. Zorn (R)

To allow a landlord to evict a tenant who falsely claimed that a member of household has a disability or is in possession of an emotional support animal prescribed by a (legitimate) medical service professional.