FEETING THE BEAST
“Temporary” business cost hikes get new life

Four types of fee increases on Michigan businesses were set to expire last fall, with a total estimated relief of more than $10.7 million for Michigan’s job providers in 2008. The “temporary” increases, implemented by a previous Legislature, were given a sunset date of Sept. 30, 2007, at which point they were slated to reset to their previous lower level. But on the sunset date, bills creating five-year extensions of these fees were signed into law by Gov. Jennifer Granholm. The new sunset date for the “temporary” fee increases is Sept. 30, 2012.

The cost to taxpayers is in addition to the $1.358 billion in tax hikes for 2008 that were signed by the governor on Oct. 1, 2007, to end a government shutdown and balance the fiscal 2008 budget primarily with tax increases (see “Blown Away...,” Nov/Dec 2007 Michigan Capitol Confidential).

Approving extensions of supposedly “temporary” fees is a tool lawmakers are using with growing frequency during the budget process. One “fee,” a 7/8ths-cent-per-gallon petroleum levy, has mostly morphed into a tax, with the proceeds dedicated office, two Republicans take their place, and the balance of power in the senate switch to the GOP — where it has remained ever since. Then-state Sen. John Engler, R-Mt. Pleasant, was elevated to Senate Majority Leader, making him the primary political rival to then-Gov. James Blanchard, a Democrat. Seven years later, in the 1990 campaign for governor, Engler would narrowly unseat Blanchard in a wildly improbable upset.

Then, as now, the fuse was lit with a tax increase. In 1983, it was an annual income tax hike of $675 million. Adjusted for inflation, this equates to more than $1.4 billion — close to the $1.385 billion hike in annual taxes that was approved last fall.

Like Gov. Granholm in 2007, Gov. Blanchard in 1983 was coming off of a successful election campaign in which he had dodged the question of raising taxes. Candidate Blanchard had pledged that tax increases would be used

©2008 Email: hpayne@detnews.com
Are you new to Michigan Capitol Confidential?

Many of you have already e-mailed, written or phoned us to say that you’d like to remain on the mailing list for Michigan Capitol Confidential. If you haven’t contacted us yet, but would like to remain on our mailing list, please let us know!

If you are reading this newspaper for the first time, thank you for taking the time to look over this news publication from the Mackinac Center for Public Policy. We selected you for this mailing because you have shown an interest in the public policy issues that we discuss. Inside, you will find a review and analysis of important state legislative policy issues that did not always receive attention from the general media. Every two months we send this publication to make it easier for you to keep tabs on your elected representatives in Lansing.

Subscriptions are FREE, but to remain on our mailing list you must let us know by sending your name and home address. Enclosed is a postage-paid business reply envelope to make this easier – just fill in your name and address and send it in! Even easier still – just put the same information in an e-mail and send it to MiCapCon@Mackinac.org.

When you write to us, please feel free to include the names and addresses of family and friends who you think will enjoy Michigan Capitol Confidential as much as you do.

Additionally, you can help us keep Michigan Capitol Confidential coming to households just like yours by joining the Mackinac Center for Public Policy. The Center is dedicated to providing a free-market perspective on public policy issues that impact the Michigan economy. We provide that perspective through timely policy studies, commentaries, interaction with media and policymakers, and events for targeted audiences throughout the state. Our issues are economic in focus, but as diverse as taxation; government budgeting; science, environment and technology policy; labor policy; privatization; property rights; and general economic education.

The Mackinac Center’s mission is to educate Michigan residents on the value of entrepreneurship, family, community, private initiative and independence from government. We believe, as our country’s Founders did, that liberty and sound policy can never be taken for granted. Their preservation requires vigilance during each generation from both us and citizens like you.

If you share this goal, we would welcome your generous contribution to the Mackinac Center in any amount. Even a $40 donation is a tremendous help. The Mackinac Center is a 501(c)(3) educational institute, and your donation is deductible on your federal income taxes.

Thank you for any help you may be able to give us – and don’t forget to let us know if you want to continue your FREE subscription to Michigan Capitol Confidential!

Sincerely,

Kenneth M. Braun, Senior Managing Editor, Michigan Capitol Confidential
TOURISM TAXES APPROVED
State and local tax burden approaching nation’s ten worst

A new state law would likely further Michigan’s status as having one of the nation’s highest state and local tax burdens. House Bill 4261, now Public Act 25 of 2007, allows convention and tourism bureaus in Kent County and Lansing to levy a 2 percent hotel and motel rooms tax to support marketing and promotion programs. This would be on top of existing marketing levies. A referendum of lodging providers would be required if requested by at least 40 percent of the owners of “transient facilities” subject to the tax.

The bill was first approved by the state House of Representatives on May 8, 2007. One month earlier, the Tax Foundation of Washington, D.C., released its annual ranking of state and local tax burdens. Though this was many months before the $1.4 billion income and business tax hikes included in the fiscal 2008 budget, Michigan’s tax burden ranking for 2007 had already climbed to 14th highest in the nation — sharply up from 30th highest in 2001. Neighbors Illinois and Indiana are just two of the 16 states that Michigan’s tax burden has eclipsed during its rapid six-year ascent up this dismal ladder.

In a competitive race for the nation’s most punishing tax policy, Michigan has been keeping up with the worst of them. The Tax Foundation asserts that state and local taxes for 2007 were consuming an average of more than 11 percent of personal income — a level not seen in more than 25 years. Michigan tax consumption was 11 percent of personal income in the 2006 ranking and climbed to 11.2 percent for 2007.

During committee testimony on House Bill 4261, the mayor of Grand Rapids asserted that the room tax was needed because the area had already approved tourism taxes up to the limit of their authority under existing state law. Additionally, he argued that a higher marketing tax is essential for attracting more convention and tourism business to the region. But with the backdrop of Michigan’s overall tax burden relative to other states, it is a debatable point that more local taxes and spending — even for tourism promotion — is wise policy.

According to a Michigan House Fiscal Agency analysis, the lodging facilities within the tourism promotion district will receive one vote per room if a tax election is called. If a majority of the rooms within the assessment district vote in favor of the tax, then the tax will be implemented, with the proceeds becoming the “property of the private, non-profit corporation promoting convention and tourism business.” Hotels and motels voting in opposition will be forced to fork over as much as 2 percent of the proceeds from each guest filling one of their rooms to a private entity that implements a marketing program that they do not want.

See “Tourism Taxes,” Page 9

NOTES ON STATESMANKSHIP
The Love of Power vs. the Power of Love

By Lawrence W. Reed

"We look forward to the time when the power of love will replace the love of power. Then will our world know the blessings of peace."

So declared British Prime Minister William Ewart Gladstone more than a century ago. His audience responded then the same way audiences would today — with nodding approval. But today’s world seethes with hypocrisy. Though we say we prefer love over power, the way we behave in the political corner of our lives testifies all too often to the contrary.

Gladstone knew that love and power are two very different things, often at odds with each other. Love is about affection and respect; power is about control.

When real love is the motivator, people deal with each other peacefully. We use force only in self-defense. We respect each other’s rights and differences. Tolerance and cooperation govern our interactions.

Suppose we want to influence or change the behavior of another adult, or want to give him something we think he should have. This person has done us no harm and is in full command of his faculties. Love requires that we reason with him, entice him with an attractive offer or otherwise engage him on a totally voluntary basis. He is free to accept or reject our overtures. If we don’t get our way, we don’t hire somebody to use force against him. We “live and let live.”

A mature, responsible adult neither seeks undue power over other adults nor wishes to see others subjected to anyone’s controlling schemes and fantasies.

We don’t trust the choices parents might make in a free educational marketplace, so we force those who prefer private options to pay twice — once in tuition for the alternatives they choose, and then again in taxes for a system they seek to escape.

Millions of Americans think government should impose an endless array of programs and expenses on their fellow citizens, from nationalized health plans to child day care to subsidized art and recreation. We’ve burdened our children and grandchildren, whom we claim to love, with trillions in national debt — all so that the leaders we elected and re-elected could spend more than we were willing to pay for. We claim to love our fellow citizens while we hand government more power over their lives, hopes and pocketbooks.

If you think these trends can go on indefinitely, or if you think power is the answer to our problems, or if you think loving others means diminishing their liberties, you’re part of the problem. If you want to be part of the solution, then consider adopting the following resolutions:

- I resolve to keep my hands in my own pockets, to leave others alone unless they threaten me harm, to take responsibility for my own actions and decisions, and to impose no burdens on others that stem from my own poor judgments.
- I resolve to strengthen my own character so I can be the model of integrity that friends, family and acquaintances will want to respect and emulate.
- If I have a “good idea,” I resolve to elicit support for it through peaceful persuasion, not force. I will not ask politicians to foist it on others just because I might think it’s good for them.
- I resolve to offer help to others who genuinely need it by involving myself directly or by supporting those who are providing assistance through charitable institutions. I will not complain about a problem and then insist that government fix it at twice the cost and half the effectiveness.
- I resolve to learn more about the principles of love and liberty so that I can convincingly defend them against the encroachments of power. And I resolve to do whatever I can to replace the love of power with the power of love.

A tall order, to be sure. Let’s get started.

Lawrence W. Reed is president of the Mackinac Center for Public Policy.

Out-of-town visitors, staying overnight in Lansing, may soon be paying a 2 percent room tax.
Four bills to extend the sunset dates on “temporary” business fee increases will cost Michigan job providers an additional $10,761,000 per year. The amount of this total approved by each lawmaker is listed below.

The final passage votes for House Bills 4865, 4866, 5257 and 5258 were used for this tabulation. See MichiganVotes.org for a description of each bill and vote.

<table>
<thead>
<tr>
<th>HOUSE REPUBLICANS</th>
<th>House Republicans</th>
<th>House Democrats</th>
<th>Senate Republicans</th>
<th>Senate Democrats</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acciavatti (R)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Agema (R)</strong>*</td>
<td>SEE NOTES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Amos (R)</strong></td>
<td>ZERO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ball (R)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Booher (R)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Brandenburg (R)</strong>*</td>
<td>SEE NOTES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Calley (R)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Caspersson (R)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Caswell (R)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Caul (R)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DeRoche (R)</strong></td>
<td>ZERO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hansen (R)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hoffman (R)</strong></td>
<td>ZERO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Horn (R)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Huizenga (R)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hune (R)</strong></td>
<td>ZERO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Jones, Rick (R)</strong></td>
<td>$6,929,300</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Knoellenberg (R)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LaJoy (R)</strong></td>
<td>$3,159,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Law, David (R)</strong></td>
<td>ZERO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LaKee (R)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Leland (D)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Lemmons (D)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Lindberg (D)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mayes (D)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>McDowell (D)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Meadows (D)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Meinsner (D)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Melton (D)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Miller (D)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Moll (D)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Poldon (D)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pole (D)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sanborn (R)</strong></td>
<td>ZERO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sanborn (R)</strong></td>
<td>ZERO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sheen (R)</strong>*</td>
<td>SEE NOTES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stakoe (R)</strong></td>
<td>$3,832,500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stahl (R)</strong></td>
<td>ZERO</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stelt (R)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Walker (R)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ward (R)</strong></td>
<td>$6,929,300</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Wenke (R)</strong></td>
<td>$10,761,800</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

to other state spending. Originally created for and dedicated to a clean-up fund for leaking underground fuel tanks, both the fund and fee had mostly accomplished their goal as they approached a Sept. 30, 2004, statutory sunset.

Unwilling to make cuts to other spending, lawmakers and the governor approved a six-year extension of the sunset of the fee for the fuel tank clean-up fee and its fund, and spent the money on unrelated programs. This fee extension continues to cost Michigan motorists as much as $60 million each year. In 2007, as part of a deal to avoid spending cuts in the rest of the budget that year, another $70 million was raided from the still-active and fee-collecting "storage tank" fund.

Below are the recently extended fee increases on Michigan businesses:

- Public Act 82 of 2007 (formerly House Bill 4865) retains the "temporary" license fee increase on investment advisors and stockbrokers. The estimated additional cost to these Michigan job providers is $4.3 million for 2008.
- Public Act 83 of 2007 (formerly House Bill 4866) retains the "temporary" price increase for the fees that must accompany the annual reports required of all non-profit corporations. The estimated additional cost to these Michigan job providers is $672,700 for 2008.

Each bill was approved overwhelmingly in both chambers of the Legislature, with 118 of the 148 lawmakers voting to extend the life on at least $10 million worth of fee increases. However, 15 lawmakers voted in opposition to all four bills. The name of each state lawmaker and the amount of fee increases that they voted to retain are in the box at left.

FOR FURTHER READING: Links to the legislative analysis of these bills is available at www.mackinac.org/9312.

Michigan Capitol Confidential
Editor: Michael D. Jahr
Senior Managing Editor: Kenneth M. Braun
Graphic Designer: Daniel E. Montgomery

Michigan Capitol Confidential is published bimonthly by the Mackinac Center for Public Policy, a nonprofit, nonpartisan, tax-exempt research and educational institute devoted to analyzing Michigan public policy issues. Michigan Capitol Confidential is distributed to Michigan residents who have expressed an interest in public policy matters, as well as members of the media and lawmakers and policy staff in the Michigan House, Michigan Senate and Office of the Governor. All rights reserved. Permission to excerpt or reprint is hereby granted provided that Michigan Capitol Confidential, the author and the Mackinac Center for Public Policy are properly cited.

140 West Main Street, Midland, Michigan 48640
989-631-0900 • www.mackinac.org • MichiganVotes.org

THE LOWDOWN

PARKING VIOLATIONS
The Oct. 23, 2007, edition of the MIRS Capitol Capsule (www.mirsnews.com — subscription required) reported that state representatives John Stahl, R-North Branch, and Mike Nofs, R-Battle Creek, were stripped of their climate-controlled underground parking spots beneath their legislative office building and relocated to outdoor surface parking spots behind the capitol building across the street.

With regard to Rep. Stahl, the article speculated that the change of assignment was made because the lawmaker did not support "some elements" of the budget agreement that passed with great acrimony just over three weeks earlier, and that Speaker of the House Andy Dillon, D-Redford Twp., was removing the parking spot as an act of retribution.

A spokesman for the Speaker’s office was asked about the matter by MIRS and declined to comment.

SICKO
Public school teachers in the Jackson County area take an average of eight days off for illnesses or personal leave, according to a Jan. 20, 2008, feature story in the Jackson Citizen-Patriot (www.citpat.com). The paper states that the Jackson Public Schools racked up 4,448 sick and personal leave days during the 2006-07 school year, at a cost of $419,337 to pay for substitute teachers.

BIG GAME POLITICS
State Rep. Lorence Wenke, R-Richland, fancies himself a “Republican problem solver, not an ideologue,” according to MIRS. To this end, the lawmaker has a gray model of a rhino perched atop his desk on the floor of the state House of Representatives. The article notes that Wenke is sometimes tagged as a RINO — Republican In Name Only — and the model could symbolize the perception that the lawmaker sometimes doesn’t fit in with either the Democratic “donkeys” or the Republican “elephants.”

Wenke says the prop represents hypocritical fiscal conservatism on the elephants’ side of the aisle. Noting that a bill proposal of his that would pare back legislator health benefits and over time could potentially save more than a billion dollars, the lawmaker expressed disappointment that his bill has only seven or eight signatures from Republicans who he says “talk about really saving taxpayer money.”

The rhino was a present from Rep. Chris Ward, R-Brighton, who had received it from his staff after he was accused of being a RINO following a vote in favor of an income tax increase last fall.

PRICEY PROMISES
“Michigan faces a substantial bill coming due for health care benefits for retired state employees, and even greater costs are likely to emerge for retired teachers,” according to a 50-state analysis of states’ retiree benefit obligations produced by the Pew Charitable Trusts. The report, titled “Promises with a Price,” notes that Michigan’s set-aside for non-pension benefits such as retiree health care was more than 99 percent unfunded as of 2006. With a bill coming due of more than $8 billion, the state had socked away just $60 million.

The Kaiser Family Foundation’s 2007 Annual Survey of Employer Health Benefits reveals that providing a health insurance benefit to employees who have retired is rare in the private sector. Of large firms that offer health insurance to their current employees — those with 200 or more employees — just 33 percent also extend health insurance to their former workers. The figure is just 5 percent for smaller firms with fewer than 200 employees.

The Michigan Public School Employee Retirement System includes a post-retirement health care benefit. The MPSERS benefits Web site refers to it as “one of the best public pensions around.”
TOTAL RECALL
from Page One

only as a last resort, yet before serving a full month in office he would propose a 38 percent hike in the state income tax. Gov. Granholm would wait only slightly longer, proposing her tax increase in early February 2007.

As was also the case with 2007, there was a “budget crisis” in 1983 — a period in which state government revenues were expected to be lower than the desired level of spending. Both times, the governors of the day appointed a panel of advisors to suggest solutions. Each panel recommended a mix of tax increases and cost reductions.

THE TAX HIKE

After hearing from his budget advisory panel, Gov. Blanchard proposed an income tax increase. Democrats controlled both chambers of the state Legislature, and the leaders of the House and Senate each praised the Blanchard tax plan. Indeed, while the governor’s eventual proposal would cut spending $225 million, the two lawmakers had earlier endorsed balancing the budget entirely with tax increases.

In 1983, it was an annual income tax hike of $675 million. Adjusted for inflation, this equates to more than $1.4 billion — close to the $1.385 billion hike in annual taxes that was approved last fall.

On Jan. 28, 1983, the governor announced the release of a poll suggesting that 66 percent of voters supported tax hikes. Lawmakers who supported his plan, the governor asserted, would not be “purged” for doing so. Less than a week later, former GOP Gov. William Milliken announced that he would help Blanchard in a “bipartisan” effort to promote the tax increase. Both men would later co-chair the panel that recommended a tax increase to Gov. Granholm in 2007.

With Democrats ruling the governor’s office and the entire Legislature in 1983, Republicans were powerless to stop any bill that the majority party was united behind. Nonetheless, Republican Senate Minority Leader John Engler did not automatically renounce tax hikes. He hinted that his party would be inclined to support a temporary increase, rather than the permanent one the governor was asking for. A Senate GOP proposal for a “1-year only” tax hike was later voted down.

By March 25, 1983, a tax hike was sitting on the governor’s desk. Except for Sen. Harry DeMaso, R-Battle Creek, every legislative Republican voted against it. The governor predicted that this partisan divide would not have lasting consequences, declared the tax debate over and pronounced it time to move on to “other issues.”

THE REBELLION

Several weeks before the final tax vote in 1983, an estimated 700 protesters gathered in front of the capitol, threatening recalls. The rhetoric exceeded anything yet seen in the 2007 tax revolt. One protester held a sign calling Gov. Blanchard “the political anti-Christ” who was ushering in an “economic Auschwitz.” Another held up a hangman’s noose, along with a note reading “hang the traitors.” A recall petition against the governor failed to force an election; but, because of the publicity it generated, two of the legislative “traitors” would be so fortunate.

The modern tax opponents held a more muted capitol rally during the spring of 2007. Demonstrators were holding stickers with the slogan “Recall 1983?” This event also featured the debut of “Mr. Perks,” an eight-foot-tall, pink foam pig mounted atop a trailer. Property Taxpayers Alliance, Perks has been used as an intimidating symbol of government largesse.

The pig was towed through the districts of lawmakers suspected of supporting higher taxes — at least one Republican and one Democrat. Both large Detroit newspapers covered the travels of Perks, and a TV news reporter from the Detroit area did part of his story about the MTA while riding along on Perks’ trailer. Meanwhile, the MTA and another group, Americans for Prosperity, paid for anti-tax phone messages to be patched in to voters living in two-dozen legislative districts.

During this same period, Drolet — a former state representative who was term-limited out in 2006 — announced that he was drawing up a list of recall targets based upon lawmakers’ tax votes, and he began hosting seminars to train recall activists. Comparisons to the 1983 recalls were explicit and pervasive.

This pressure worked — for a while. On May 22, 2007, Dillon still hadn’t occurred by mid-September. Eventually, on Sept. 30, 2007, the $1.385 billion tax increase was approved.

Lawmakers who supported his plan, the governor asserted, would not be “purged” for doing so.

While the 2007 tax revolt was more successful in delaying the tax hike, it greatly benefited from the lesson provided by the 1983 example. The 1983 tax revolt had no such precedent to point to. While this made it much tougher to hold off the tax vote at that time, it did not stop opponents from trying. Before the final vote on the tax hike in March 1983, Dan Powers, then a 25-year-old GM assembly line worker from Sterling Heights, presented Sen. David Serotkin, D-Mt. Clemens, with a statement signed by 6,000 of his constituents opposing the tax increase. When the senator voted for the tax anyway, the autoworker — who says he voted to elect Serotkin the preceding November — became the leader of 10 volunteers seeking a recall.

“We are out to reduce taxes,” he would later say, “and the recall is the only way to do that.”

As of this writing, the modern recall movement is still collecting names on petitions. To what degree it will relive the remainder of the 1983 drama remains unclear.

On July 26, 1983, an Oakland county arm of the tax revolt working against Sen. Phil Mustin, D-Pontiac, made history with the first-ever filing of signatures in support of a recall election to remove a state lawmaker. The group had collected 28,360 names within 90 days — 42 percent more than the minimum necessary. The signatures were certified as valid and the date for the first legislative recall election in Michigan history was set for Nov. 22, 1983.

On Sept. 21, 1983, Powers and his group submitted 23,400 signatures in support of a recall election against Serotkin, exceeding the required number by 27 percent. Serotkin’s election would be on Nov. 30.

THE RECALLS

Both politicians disputed that they could or should be removed over a single vote. Failing to
comparatively limited resources on contacting and mobilizing the people who had signed the petitions.

On Nov. 22, 1983, Mastin became the first Michigan lawmaker and — at that time — only the third state legislator in American history to be recalled. It wasn’t even close. The pro-recall side’s strategy of mobilizing their 28,360 petition signers was resoundingly vindicated in the 26,700 people who voted for removal. There were 15,990 votes to retain the senator.

“I am a capitalist and I feel that Blanchard, Mastin and the others are a bunch of socialists,” said Mick Steiner, head of the Mastin recall effort.

Eight days later, similar lopsided results were inflicted on Serotkin, who spent $105,404 to save his job. His opponents spent less than $10,000 to take it away from him. Comparable finance figures applied to the Mastin recall.

The recall had become a referendum on government performance, as Serotkin described it after his defeat. The strategy of trying to change the subject to the entirety of the lawmakers’ records and the propriety of the recall elections may have been fatally counterproductive.

**AFTERMATH**

While the tax revolt continued to try and remove more lawmakers — and the governor — they did not succeed in forcing any more recall elections.

Serotkin did not go quietly. Still a legislator until the votes were certified, he opted to resign before certification was complete. While a recalled lawmaker is disqualified from running in the special election to fill the vacancy, Serotkin argued that a resignation before he was technically removed from office would nullify the recall and allow him to be a candidate to fill the vacancy that resulted from his “resignation.” Then-Lt. Gov. Martha Griffiths accepted Serotkin’s abdication, saying: “I hope it means that you’ll be coming back.” That wish went unfulfilled as Attorney General Frank Kelley ruled against the gambit two days later.

The drama then turned back to taxes.

The law creating the higher income tax rate in 1983 dictated a partial rollback of $150 million effective on Jan. 1, 1984. But during the final weeks of 1983, just after the recalls, Senate Democrats were anxious to douse the recall fires and hoping to salvage their majority by winning one or both of the special elections slated for January. With state coffers estimated to take in a surplus above what would be needed for the automatic rollback, the majority party proposed an additional tax reduction of $150 million.

Citing an ongoing cash deficit inherited from the previous administration that he maintained was a more prudent use for the projected surplus, Gov. Blanchard promised to veto any bill offering additional tax relief. Then, stating that the tumultuous events of the preceding months had left the Legislature panicked and confused, he pleaded with them on Dec. 9 to adjourn for the year and go home.

Republicans won both of the special elections to replace the recalled senators and had a 20-18 majority in the senate on Feb. 6, 1984. By this time, Gov. Blanchard had proposed an additional $130 million in tax relief starting with the 1985 fiscal year. But the new Senate majority was looking for more relief — and sooner. On March 27, almost the one-year anniversary of the 1983 income tax hike, the Senate approved an additional $119 million in tax relief for 1984 and a total of $296 million for 1985. Sen. Patrick McCullough, D-Dearborn, had voted for the 1983 tax hike, but with a recall effort still pending against him, he voted this time for the more aggressive tax reduction schedule. Gov. Blanchard again promised a veto.

By July 1984, the governor and Legislature had come to an agreement that reduced taxes $183 million more for 1985 and also scheduled a gradual but total phase-out of the entire 1983 tax hike by Oct. 1, 1987. Senate Majority Leader Engler deemed this compromise “inadequate,” but better than nothing.

Two members of the GOP Sen-
and that other manufacturing sectors have enjoyed robust growth. So why is the automobile capital of the world stumbling?

One contributing factor is the state’s labor climate. For too long, Michigan has nurtured a culture of protectionism and xenophobia that chases away foreign investment, jobs and opportunity. Indeed, the state’s long decline may have had its inflection point in a single, violent event: the murder of Vincent Chin by two laid-off Detroit autoworkers that occurred 25 years ago last summer. The murder stood as a stark message to outsiders: You (and your investment) are not welcome in Michigan.

**Michigan has carefully built and continues to maintain a culture of decline that is overtly hostile to outsiders and fearful of their competition.**

A few domestic motor vehicle production statistics published by the Michigan Senate Fiscal Agency are revealing. From 2001 to 2005, U.S. automotive production from the Big Three domestic automakers — those who make up virtually all of Michigan’s vehicle production — fell by 9.7 percent. The Big Three drop for Michigan was 14.1 percent. So if the mass layoffs and factory closures are unique to the Great Lakes State, who is enjoying the car boom?

Foreign automakers operating in the United States have been manufacturing automobiles at a blistering pace. Honda’s American autoworkers boosted production by 35.3 percent during those five years; Toyota was up nearly 42 percent and has just replaced Ford as the world’s number two automaker; and Nissan was up 156.4 percent.

As a whole, the foreign nameplates making cars with American autoworkers increased their annual unit production by nearly 47.6 percent between 2001 and 2005 — an increase of more than 1.3 million vehicles annually.

Toyota, now just shy of being the world’s largest automaker, was not making cars in the United States at the time of Vincent Chin’s murder. Even three years later, in 1985, Honda, Toyota and Nissan combined were producing only about 2.6 percent of all the vehicles made in America.

The Big Three commanded 94.6 percent of domestic unit production. But that would soon change: The Japanese were looking to build cars in America, and they would decide that the automotive capitol of the world was not a welcoming place for their investment. By 2005, the “Japanese Big Three” would be building more than 22.1 percent of all the vehicles made in America — and still more were being produced by Subaru and numerous non-Asian brands.

Many of the winners in this boom have been southern states with voluntary unionism. Toyota manufacturing plants, for example, are in places such as Alabama, Mississippi, Texas and Kentucky. It is probably not a coincidence that nine of the top 10 states ranked by population growth from July 2006 to July 2007 do not have compulsory unionism laws.

These are powerful economic development tools, but a state need not have a right-to-work statute to attract manufacturers. Honda, one of the earliest Japanese companies to put down the biggest bets on American autoworkers — starting shortly after the Vincent Chin case — decided to do so in Ohio, a unionized state literally in Michigan’s back yard. Since then, Honda’s Ohio presence has grown to six production facilities making cars, trucks, motorcycles and parts. They have expanded to six other states — including Indiana in 2008 — but still not to Michigan.

Meanwhile, back in Michigan, it still isn’t hard to find animosity against foreign cars on the rear bumpers and in the letters to the editor. In the 2006 gubernatorial election, a major theme of the winning candidates’ advertising strategy was to denounce her rival for business investments in Asia.

Michigan has carefully built and continues to maintain a culture of decline that is overtly hostile to outsiders and fearful of their competition. The outsiders got the message. The rest of the country is getting the jobs. We are suffering the consequences.

Michael D. LaFaité is director of the Morey Fiscal Policy Initiative and Kenneth M. Braun is a fiscal policy analyst at the Mackinac Center for Public Policy.

**FOR FURTHER READING:** Hyperlinks to the Michigan Senate Fiscal Agency’s 2007 report on automotive production and other material related to this topic may be found online at www.mackinac.org/9312.

**WHY WE GIVE PARTY AFFILIATIONS:**

The Legislature is managed as a partisan institution. Lawmakers segregate themselves by party in matters from daily meetings to seating. They have separate and taxpayer-financed policy staffs to provide them with research and advice from differing perspectives. As such, gaining a full understanding of the vote of an individual lawmaker requires knowing his or her partisan affiliation.
Legislators who voted IN FAVOR of the local tourism tax:

**Senate roll call vote 190 on House Bill 4261**

**SENATE REPUBLICANS (18)**
- Allen (R)
- Birkholz (R)
- Bishop (R)
- Brown (R)
- Garcia (R)
- George (R)
- Gilbert (R)
- Jansen (R)
- Jeelinek (R)
- Kahn (R)
- McManus (R)
- Pappageorge (R)
- Stamas (R)
- Van Woerkom (R)

**SENATE DEMOCRATS (17)**
- Anderson (D)
- Barcia (D)
- Basham (D)
- Brater (D)
- Cherry (D)
- Clarke (D)
- Calley (R)
- Clark-Coleman (D)
- Clack (D)
- Cheeks (D)
- Byrum (D)
- Casser (R)
- Law, Kathleen (D)
- Casperson (R)
- Dillon (D)
- Young (D)

**House roll call vote 148 on House Bill 4261**

**HOUSE REPUBLICANS (17)**
- Ball (R)
- Booher (R)
- Brandenburg (R)
- Calley (R)
- Accavitti (D)
- Bauer (D)
- Bennet (D)
- Bieda (D)
- Byrnes (D)
- Brown (D)
- Caswell (R)
- Caul (R)
- Cheeks (D)
- Clack (D)

**HOUSE DEMOCRATS (47W)**
- Accavitti (D)
- Bauer (D)
- Bennet (D)
- Bieda (D)
- Byrnes (D)
- Brown (D)
- Caul (R)
- Clack (D)

Legislators who voted AGAINST the local tourism tax:

**Senate roll call vote 190 on Senate Bill 4261**

**SENATE REPUBLICANS (3)**
- Cassis (R)
- Patterson (R)
- Sanborn (R)

**SENATE DEMOCRATS (NONE)**

**House roll call vote 148 on House Bill 4261**

**HOUSE REPUBLICANS (34)**
- Acciavatti (R)
- Agema (R)
- Amos (R)
- Caswell (R)
- Caul (R)
- DeRoche (R)
- Anger (D)
- Brown (D)

**HOUSE DEMOCRATS (9)**
- Anciavatti (D)
- Corriewe (D)
- Griffin (D)
- Molet (R)
- Knollenberg (R)
- La Joy (R)
- Espinoza (D)
- McDowell (D)

Legislators who DID NOT VOTE:
- Rep. Casperson (R)
- Rep. Dillon (D)
- Rep. Law, Kathleen (D)

---

**TOURISM TAXES from Page 3**

An advisory committee of five to nine members will be elected to draft a marketing plan that is submitted to the “voters” along with the tax proposal. This committee would need only one representative from a smaller hotel or motel — defined as a facility with fewer than 120 guest rooms. With voting rights proportional to number of rooms, owners of small facilities will have a small voice regarding whether these taxes are assessed on them and also little say in whether the funds taken from them are used for their benefit. The law allows dissenters to seek repeal of the tax only once every two years, and again subject to the “one room, one vote” rule.

Aside from the injustice of forcing business owners to pay for advertising that they may not want or need, there is also an economic concern over whether higher hotel taxes will lead to fewer hotel guests. The HFA analysis of the bill speculates that the proposal could actually depress consumer spending, leading to other consequences:

“...it is unknown what the effect of increasing hotel and motel costs by 2 percent would have on visitors’ stays and other hotel/motel-related revenue. To the extent the additional costs were accommodated by shorter stays, shifts to less expensive lodging, reductions in food or other visitor-related purchases, the bill could affect a wide variety of other state and local revenue.”

On May 8, 2007, the state House of Representatives voted 64-43 in favor of approving the local tourism tax authority, with 17 Republicans joining 47 Democrats voting for the bill. On June 20, 2007, the state Senate concurred on a vote of 35-3, with 18 Republicans joining 17 Democrats voting “yes.” Gov. Granholm signed House Bill 4261 into law on June 28, 2007. The MichiganVotes.org tally for the bill is displayed at left.

---

**FIND REAL NEWS THAT DOESN’T MAKE THE PAPERS!**

Your state legislators cast many important votes that are rarely covered by the press or discussed by the lawmakers themselves. Many of these votes are on bills and amendments that could impact your freedom, your pocketbook and your family. Somebody is watching the lawmakers, however, and placing their entire record at your fingertips just a mouseclick away: MichiganVotes.org.

This free, user-friendly service lets you:

- Read brief, plain-English descriptions of every bill and amendment, and how each lawmaker voted on them.
- Research all of the votes cast and all of the bills introduced by every Michigan lawmaker back to 2001.
- Easily research bills and votes of interest to you by keyword, topic, date and more!
- Receive automatic e-mail updates when legislative action is taken on bills and issues that are of interest to you.
- Participate in the lively MichiganVotes.org online message boards, debating with others what your lawmakers are doing.

---

**DO YOU LIKE WHAT YOU’RE READING?**

Then tell us to keep it coming!

If you haven’t already contacted us and would like to keep receiving Michigan Capitol Confidential, we need you to e-mail us at MICAPCON@MACKINAC.ORG or call 989-631-0900 to let us know that we should keep sending it. That’s it!
<table>
<thead>
<tr>
<th>State Senate District</th>
<th>Last Name, First Name: Party</th>
<th>Phone</th>
<th>E-mail</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Clarke, Hansen; D</td>
<td>517-373-7346</td>
<td></td>
</tr>
<tr>
<td>02</td>
<td>Scott, Martha G.; D</td>
<td>517-373-7748</td>
<td></td>
</tr>
<tr>
<td>03</td>
<td>Clark-Coleman, Irma; D</td>
<td>517-373-0990</td>
<td></td>
</tr>
<tr>
<td>04</td>
<td>Thomas III, Samuel Buz; D</td>
<td>517-373-7918</td>
<td></td>
</tr>
<tr>
<td>05</td>
<td>Hunter, Tupac A.; D</td>
<td>517-373-0994</td>
<td></td>
</tr>
<tr>
<td>06</td>
<td>Anderson, Glenn S.; D</td>
<td>517-373-7918</td>
<td></td>
</tr>
<tr>
<td>07</td>
<td>Patterson, Bruce; R</td>
<td>517-373-7350</td>
<td></td>
</tr>
<tr>
<td>08</td>
<td>Basham, Raymond E.; D</td>
<td>517-373-7600</td>
<td></td>
</tr>
<tr>
<td>09</td>
<td>Olshove, Dennis; D</td>
<td>517-373-8360</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Switalski, Michael; D</td>
<td>517-373-7310</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Sanborn, Alan; R</td>
<td>517-373-7670</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Bishop, Michael; R</td>
<td>517-373-2417</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Pappageorge, John; R</td>
<td>517-373-2523</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Jacobs, Gilda Z.; D</td>
<td>517-373-7888</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Cassis, Nancy R</td>
<td>517-373-1758</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Brown, Cameron; R</td>
<td>517-373-5932</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Richardville, Randy; R</td>
<td>517-373-3543</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Brater, Lir; D</td>
<td>517-373-3406</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Schauer, Mark; D</td>
<td>517-373-3406</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>George, Thomas M.; R</td>
<td>517-373-7903</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Jelinek, Ron; R</td>
<td>517-373-6960</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Garcia, Valdez; D</td>
<td>517-373-2420</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Whitmer, Gretchen; D</td>
<td>517-373-1754</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Birkholz, Patricia L.; R</td>
<td>517-373-3447</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Gilbert II, Judson; R</td>
<td>517-373-1758</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Cherry, Deborah; D</td>
<td>517-373-1636</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Gleason, John; D</td>
<td>517-373-0142</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Jansen, Mark C.; R</td>
<td>517-373-0797</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Hardiman, Bill; R</td>
<td>517-373-1801</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Kupers, Wayne; R</td>
<td>517-373-6930</td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Barcia, Jim; D</td>
<td>517-373-1777</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Kahn, Roger MD; R</td>
<td>517-373-1760</td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>Crospsey, Alan L.; R</td>
<td>517-373-7670</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>VantWerkom, Gerald; R</td>
<td>517-373-1635</td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>McManus, Michelle; R</td>
<td>517-373-1725</td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>Stamas, Tony; R</td>
<td>517-373-7846</td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>Allen, Jason; R</td>
<td>517-373-2413</td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>Prusi, Michael; D</td>
<td>517-373-7640</td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>Prusi, Michael; D</td>
<td>517-373-7640</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>McManus, Michelle; R</td>
<td>517-373-1725</td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>Stamas, Tony; R</td>
<td>517-373-7846</td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>Allen, Jason; R</td>
<td>517-373-2413</td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>Prusi, Michael; D</td>
<td>517-373-7640</td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>McManus, Michelle; R</td>
<td>517-373-1725</td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>Stamas, Tony; R</td>
<td>517-373-7846</td>
<td></td>
</tr>
<tr>
<td>46</td>
<td>Allen, Jason; R</td>
<td>517-373-2413</td>
<td></td>
</tr>
<tr>
<td>47</td>
<td>Prusi, Michael; D</td>
<td>517-373-7640</td>
<td></td>
</tr>
</tbody>
</table>

Michigan Capitol Confidential  MARCH / APRIL 2008 | 10

**Who are your lawmakers?**

Members of the Michigan House and Senate are the second highest-paid state legislators in the United States, behind California.

Base member annual pay: $79,650

Additional annual expense allowance: $12,000

Supplements are paid to the following 12 legislative officers:

- Speaker of the House: $27,000
- Majority leader in the Senate: $26,000
- Minority leaders in both House and Senate: $22,000
- Majority floor leaders in both House and Senate: $12,000
- Minority floor leaders in both House and Senate: $10,000
- Chair of Appropriations Committee in both House and Senate: $7,000
- House speaker pro tempore and Senate president pro tempore: $5,513

In more than 30 states, the position of state legislator is a part-time job with a salary of $30,000 or less. Texas — the second most populous state and second largest geographically — pays lawmakers $7,200 per year.

Some pay much less: New Hampshire legislators are paid a salary of $200 for a two-year term of office, Alabama pays $10 per day and New Mexico offers no salary at all — just expenses.

To find out which lawmakers represent you and to view interactive legislative district maps, please point your web browser to www.mackinac.org/9313.

If you do not have internet access, then you may obtain copies of legislative district maps by calling 989-631-0900 or by sending a written request to us at: Mackinac Center for Public Policy, c/o MiCapCon District Maps 140 West Main Street, Midland, MI 48640

Congratulations to David Nicholas of Chesterfield, Mich. Mr. Nicholas won the original Henry Payne cartoon that appeared on the front page of the Nov./Dec. issue of Michigan Capitol Confidential.
I'm Just a Bill

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

**SENATE BILL 879**
(Establish in law official state "Children's Day")
*Introduced by state Sen. Valde Garcia, R – Howell*
Establishes in law that henceforth the third Sunday in September shall be designated as the official State of Michigan "Children's Day."

**HOUSE BILL 5661**
(Extend biodiesel and ethanol tax subsidies)
*Introduced by state Rep. Jeff Mayes, D – Bay City*
Extends a lapsed tax-break subsidy on the sale of biodiesel and E-85 ethanol fuels. Under current law, the motor fuel tax on these fuels is 3-cents lower than other fuels as long as the Legislature reimburses the forgone transportation budget money from the state general fund. The Legislature did not do that in 2007, so the tax break ended on Jan. 1, 2008. This bill would reinstate it, and also increase from $2.5 million to $6 million the cap on the amount of foregone motor fuel tax revenue allowed by the 2006 law that authorized the tax subsidy. When that cap is reached the tax break would end.

**SENATE BILL 640**
(Authorize "In God We Trust" specialty plate)
*Introduced by state Sen. Cameron Brown, R – Fawn River Township*
Authorizes a specialty license plate with the motto, “In God We Trust,” with the extra money charged for the plate going into the state general fund.

**HOUSE BILL 5210**
Require insurance discount to adequate drivers)
*Introduced by state Rep. Coleman Young, D – Detroit*
Require auto insurers to give a 10 percent discount to individuals who have had not more than four tickets or at-fault accidents in the past four years.

**HOUSE BILL 5683**
(Mandate secretary of state branch office in certain communities)
*Introduced by state Rep. Andy Coulouris, D – Saginaw*
Requires the secretary of state to maintain a branch office in any city with a population greater than 60,000. If the city is contiguous with a community that is covered by federal Voting Rights Act oversight provisions, the branch office could be in either community. The bill was introduced following a controversy regarding the secretary of state’s decision to close a branch in Buena Vista township in Saginaw County (which is subject to Voting Rights Act oversight provisions).

**HOUSE BILL 5637**
(Ban Wal-Mart bank)
*Introduced by state Rep. Richard Ball, R – Bennington Township*
Revises the status of certain Utah banks in Michigan statute (specifically, “Industrial Loan Companies” or ILCs) in a way that would prohibit Wal-Mart from using its own Utah bank (ILC) to process credit card transactions at its Michigan stores.