



Analysis

GOV. RICK SNYDER'S FISCAL POLICY LEGACY

James Hohman

Unless Gov. Rick Snyder gets a proposed “trash tax” on landfill use through the Legislature this fall, the \$56.8 billion budget he signed on July 14 is probably his last fiscal policy statement. So it’s a good time to review what the governor has done on fiscal policy through his two four-year terms.

BUDGET TRENDS

Total spending is up. The state’s most recent budget authorizes \$56.8 billion in spending, up from the \$45.9 billion authorized by his predecessor’s last budget, making for a 9 percent increase when adjusted for inflation. During the Granholm administration, the state budget increased from \$39.6 billion to \$45.9 billion, which was a 5 percent decrease when adjusted for inflation.

Federal transfers were a major part of state budget increases. They went up by 28.6 percent during the Granholm administration and 2.8 percent during the Snyder administration. Excluding federal

dollars and looking at just money from state taxes and fees, Michigan’s state budget increased from \$26.3 billion to \$33.1 billion during the Snyder administration, an 11 percent increase when adjusted for inflation. In contrast, spending from state revenue sources declined 17.2 percent during the Granholm administration.

The different trends are more a statement on the state economy during the terms of each governor than a reflection of their policy preferences. Michigan lost 575,000 jobs during the Granholm administration and added 532,000 jobs in the Snyder administration.

School funding, a point of contention in every election, increased from \$13.0 billion to \$14.8 billion on Snyder’s watch. The amount of state taxpayer money in the K-12 education budget (not counting local and federal taxpayer dollars) is up 20 percent when adjusted for inflation. The increase more than makes up for a long-gone surge

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Commentary

Superintendent Earns Praise Painting School — Which Would Be Illegal If He Were Paid

BY JARRETT SKORUP

A West Michigan school superintendent is winning widespread praise, deservedly so, for spending his summer painting school walls to save the district money. Interestingly, if he were paid directly for

this work, state licensing laws would make his effort illegal.

WXMI-TV of Grand Rapids reports that Martin Public Schools Superintendent David Harnish was working 90 hours a week

See “Painting School,” Page 4

News Story

Union President Heads List of Highly Paid Flint Employees

A water department staffer, he gets \$155k, including \$20k to ‘standby’

BY TOM GANTERT

The president of a city union is Flint’s highest-paid employee, collecting an average of \$155,000 in both 2016 and 2017. His annual pay was more than double the amount of the base pay due to on-call pay and other union-negotiated perks granted by city officials, as well as overtime.

Donald Lewis is the president of the AFSCME Council 25, Local 1799, which represents Flint supervisors and managers. The city lists him as an employee of the Water Pollution Control Operations Supervisors.

Lewis collected gross pay of \$161,065 in 2016. The sum included \$50,606 in overtime, \$19,948 in “standby” time — defined by the union contract as being on call while at home — and another



\$14,906 for union business. He also collected \$6,357 in paid leave time. His base salary was \$65,035 in 2016.

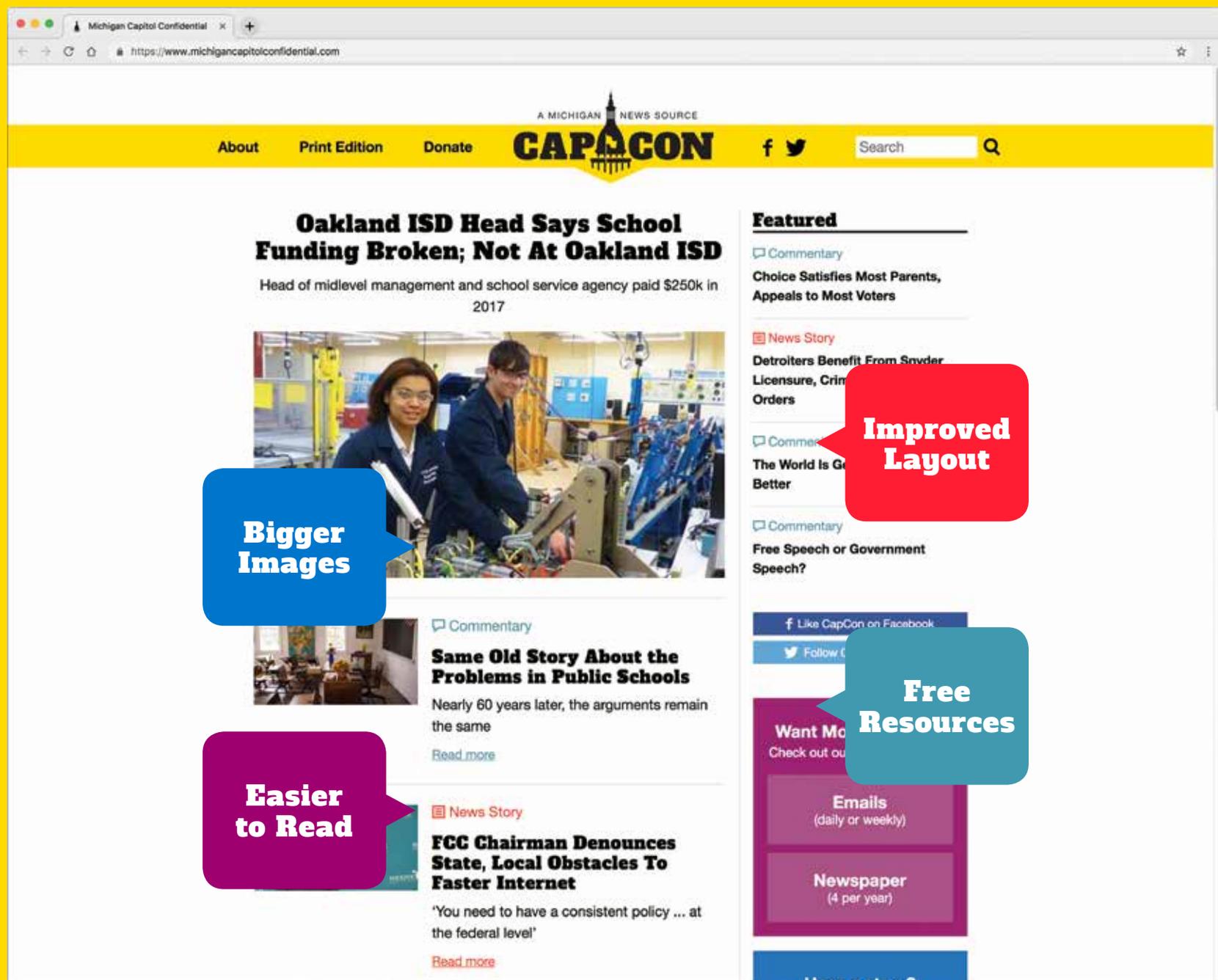
In 2017, Lewis collected \$148,979 in gross pay, making him the city’s highest-paid employee. The amount included \$43,552 in overtime, \$7,467 in paid leave

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LETTER FROM THE PRESIDENT

The Overton Window and Free Speech

BY JOSEPH G. LEHMAN

Editor's note: This article was first published in the September/October issue of IMPACT Magazine.

The Overton Window is a model of policy change conceived by my late friend, colleague and Mackinac Center senior vice president, Joe Overton. The concept was humbly born as part of a fundraising brochure and later a training session for think tank executives. It is now, however, firmly embedded in the vernacular of seemingly every political news outlet. I recently explained the window for WNYC Studio's "On the Media" radio program, which more than 450 NPR stations help relay to 2 million listeners.

Public policies can be arranged along a spectrum from less free (more government) to more free (less government). The Overton Window defines the range of public policies considered politically acceptable, or more or less mainstream. Ideas outside the window, on either side, are considered too radical by comparison; they lack sufficient public and political support to become law.

The model's power comes from showing how the range of what constitutes acceptable options can shift when think tanks and other influencers articulate, study, develop, and test alternatives to the status quo — policies outside the Overton Window.

Citizens must be able to advocate unpopular ideas if public policy is to catch up with social changes, since new ideas are, by definition, not popular. But a future of improved policies is increasingly threatened by a growing intolerance for free speech. The Foundation for Individual Rights in Education reports it has received 908 requests for help in defending against college campus speech restrictions, including those at large public universities.

Scientific progress provides an analogy for how free speech drives social change and the policies it produces. Scientific norms become outdated when new ideas prove the old ideas wrong or when new ideas show stronger explanatory power. At any given time,

potentially hundreds of researchers are trying to prove today's scientific norms wrong by testing them against alternative ideas or trying to reproduce their results.

This relentless challenge is the core of the scientific method. Without it, it's hard to imagine where scientific progress would come from. We'd be stuck with incorrect notions like phrenology (character and other traits are determined by skull shape), geocentrism (Earth is the center of the universe), the "bad air" theory of disease (supplanted by today's germ theory of disease) and peptic ulcers would be explained by stress and spicy food (the key turns out to be gut bacteria).

Free speech is to social progress and its policies what the scientific method is to scientific progress. Without the freedom to articulate new ideas in public, we'd be forever stuck with the ideas that once prevailed. Consider these once unacceptable ideas: women's suffrage, strong environmental protection, civil rights protection for minorities, the right to form labor unions, representative government (vs. monarchy), gay rights, intolerance of drunken driving, and interracial marriage. This list, too, is endless.

Nobody believes that every shift of the Overton Window is beneficial. That's politics. But without any way to shift the window, we could never change the status quo, which isn't always beneficial, either. Restrictions on speech are fine if you like being ruled by people who know they are always right. Free speech, by contrast, is the foundation for the work of think tanks, or for any person or institution interested in social progress, and it must not be infringed. ■



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HIGHLY PAID*from Page One*

time, \$14,322 for union business and \$19,948 for standby time.

Lewis' base salary in 2017 was \$57,226.

According to the terms of the contract

negotiated with the city by the union he heads, Lewis would have had to work an average of 73 hours a week to collect the amount he was paid in 2017.

Flint Mayor Karen Weaver made \$91,801 in 2017.

City of Flint Public Information Officer

Candice Mushatt didn't return multiple emails seeking information on Lewis.

Information for this story was obtained through Freedom of Information Act requests sent to the city. OpenTheBooks.com is a non-profit that collects salary information on public sector employees all across the

nation. OpenTheBooks.com also puts in open records requests to municipalities every year and then posts the salary information. ■

The original version of this story was posted online on July 27, 2018 and is available at MichCapCon.com/25726.

PAINTING SCHOOL*from Page One*

this summer with a group of students to paint a school building. It hasn't been painted in 17 years, and doing the work with the student helpers will save the district \$150,000.

Since he is not being paid for this work specifically, Harnish does not need to be a licensed painter. But painting is one of the approximately 200 occupations licensed by the state of Michigan. State law requires a person wishing to earn a living by painting to be 18 years old, pay hundreds of dollars in fees and take 60 hours of coursework.

Only about half of the 50 states require painters to be licensed, and most do not have education-related mandates.

Most people believe licensing laws exist to protect the public, but there's no evidence that the states that license painters experience fewer paint-related harms. And it's hard to see how this license requirement makes the public safer, considering it's legal and common for people to paint their own homes. Plus, the licensing law isn't strictly enforced anyway: Only about 425 of the 4,000 people who make their living as painters are actually licensed.

The Michigan House has voted through House Bill 4608, which would delicense painters and remove a potential obstacle for people who want to paint. The bill is sitting in the Senate, where it needs to be passed before the end of the year to become law. Harnish deserves praise for his work on behalf of students and taxpayers. Lawmakers would earn similar praise if they moved this bill forward and made it easier for Michiganders to employ their skills as painters. ■

The original version of this story was posted online on Aug. 16, 2018 and is available at MichCapCon.com/25773.

**State's Corporate Welfare Partner Claims Thousands of Economists Support Stadium Subsidies***But economists uniformly oppose dinging taxpayers for projects like \$125 million Kalamazoo facility*

BY EVAN CARTER

While calling for a \$125 million proposed events center, the CEO of a local economic development group told the Kalamazoo County Board of Commissioners that thousands of economists say that publicly funded facilities are an economic boon for a region's economy. But a look at research from scholars across the political spectrum finds little evidence to back up that claim.

"Sports subsidies cannot be justified on the grounds of local economic development, income growth or job creation, those arguments most frequently used by subsidy advocates." That's the conclusion of a 2017 paper by economists Dennis Coates and Brad Humphreys. Coates, who teaches at the University of Maryland, and Humphreys, who teaches at West Virginia University, examined existing academic studies on the topic.

But Southwest Michigan First CEO Ron Kitchens expressed a different view at an Aug. 8 meeting when he responded to objections raised by Kalamazoo County Commissioner John Gisler.

Gisler expressed concerns that a new \$125 million events center in Kalamazoo would shift economic activity away from areas outside the city of Kalamazoo. The city already has two centers which

seat thousands of people for events; the proposed center would seat up to 8,000.

According to MLive, Kitchens told the county board, "There's a whole litany of economists who I would equate to the folks who see the writing on the wall and they claim it's a forgery. For every economist who says 'This never works,' there are thousands of them who believe that it does."

At the meeting, Gisler cited William Kern, an economics professor at Western Michigan University, which is based in Kalamazoo. In a phone interview with Michigan Capitol Confidential, Kern said that economic impact studies put out by non-academics may talk about the benefits of publicly funded events centers and sports facilities. But the consensus among academic economists, he said, is that these projects don't bring major economic benefits to the region.

"It's either that [Kitchens is] appallingly ignorant of this research, which he should know about if he's considering a project of this sort," Kern said. "I more suspect that it's just a case where he has his interests that he wants to promote and anything that stands in the way of those interests, he's going to attempt to knock down."

Kitchens told the county board that the area needs a new event center and asked for special favors for its construction. He

asked the commissioners to approve a land swap to create a parcel big enough for the project. He also called for placing before voters a ballot proposal, which would levy a 1 percent tax on restaurant food and beverage sales in the county. The tax would, over 20 years, pay off debt incurred for the project.

Michigan Capitol Confidential reached out to Southwest Michigan First via email as well as a phone call, asking Kitchens to provide research describing the positive economic benefits of a publicly funded events center or sports stadium. He declined to comment.

A 2017 survey of economists from across the political spectrum found strong consensus that the costs of stadiums outweigh the benefits. In that survey, 83 percent of the economists either "agreed" or "strongly agreed" that, "Providing state and local subsidies to build stadiums for professional sports teams is likely to cost the relevant taxpayers more than any local economic benefits that are generated." Only 4 percent disagreed while none were in strong disagreement and the rest were uncertain.

A 2011 book on sports stadiums subsidies written by the Brookings Institution's Roger Noll and Andrew Zimbalist concluded that bad economic reasoning is used to

give intellectual support for taxpayer-funded stadiums.

"A new sports facility has an extremely small (perhaps even negative) effect on overall economic activity and employment," wrote Noll and Zimbalist. "No recent facility appears to have earned anything approaching a reasonable return on investment."

About 10 years ago, Southwestern Michigan First proposed a new events center in Kalamazoo. The proposal failed.

In 1974, the Greenleaf Hospitality Group built the Wings Event Center in Kalamazoo. The facility has a seating capacity for 5,113 people during hockey games. When configured for a concert, it can seat up to 6,300. The county is also home to an expo center that can seat up to 4,500.

Gisler doubts that the county board will ask voters to support a 1 percent tax on restaurant meals.

"Right now I'd say it doesn't look too favorable, but I've been wrong about these things before," Gisler said. "[My constituents] were down on it whenever it first came up and now they're really down on it." ■

The original version of this story was posted online on Aug. 18, 2018 and is available at MichCapCon.com/25777.

Federal Taxpayer Bailout Likely For Big Union Pension Funds

BY EVAN CARTER

A pension fund administered by the Teamsters union, with more than 43,000 participants in Michigan, expects to run out of the money it needs to pay its beneficiaries by 2025.

Due to the size of this fund and the benefits it has promised to pay out, some experts project that its insolvency will single-handedly bankrupt the federal body created to insure private pension funds, the Pension Benefit Guarantee Corporation.

The Teamsters fund is among the largest union-sponsored multiemployer retirement plans that are underfunded and in danger of not being able to meet their obligations in the next decade. This fund, called the Central States Pension Fund, is estimated to have assets sufficient to cover only 33 percent of its promises. It has \$36 billion in unfunded liabilities, according to a recent filing with the federal government.

When this and similar multiemployer pension plans fail to meet their pension obligations, the PBGC is supposed to pay a portion of the benefits promised to retired workers. But the PBGC itself projects that it will no longer have enough money to pay retirees by 2025.

To avoid reduced benefit payments to their members — or seeing no benefit payments at all — labor groups are lobbying Congress for a bailout. Earlier this year, congressional leaders created a committee of senators and representatives to look at the multiemployer pension problem.

The PBGC estimates that as of 2015, multiemployer pension plans in the United

States had a combined \$638 billion in unfunded liabilities. Further, 96 percent of the more than 10 million workers and retirees affected are in multiemployer pension plans that have less than 60 percent of the funding needed to pay benefits.

The only legislative proposal introduced so far is a bill called the Butch Lewis Act. According to Rachel Greszler, a fiscal policy expert at The Heritage Foundation, the bill is essentially a taxpayer bailout of the underfunded plans.

“The Butch Lewis Act is to just stand behind these plans 100 percent and that would, of course, create the incentive for any defined benefit plan that’s out there today to not [make proper funding assumptions] because they know there’s no consequences,” Greszler said. “Congress needs to be careful because whatever they do for the private sector is going to set the precedent for what they do with state and local plans.”

To put the magnitude of the issue in context, the debt of multiemployer pension plans is a fraction of that accumulated by states and municipalities across the nation. That amount was around \$6 trillion as of 2017, according to a report from the American Legislative Exchange Council.

U.S. Rep. Debbie Dingell, D-Dearborn, pushed back against the claim that the Butch Lewis Act is a bailout but also said she doesn’t want to take a “single penny” from the retirement pay workers were promised. Dingell is a member of the bipartisan, bicameral group of federal lawmakers investigating the issue.

“The bill calls for long-term, low-interest loans to critical and declining plans that will be paid back over time. This is not a union bailout. The collapse of these pensions will have repercussions across the whole economy,” Dingell said in an emailed statement. “If we do not act now to provide a loan and Central States goes under, the retirees who have lost their pensions will have to turn to the government to put food on the table and keep the lights on in their homes, which will increase government spending.”

Dingell said she would be open to solutions other than the Butch Lewis Act that “protect benefits people earned over a lifetime of work, and prevent the failure of a large pension plan which could take down the PBGC.”

Richard Dreyfuss is an actuary and consultant who serves as an adjunct scholar with the Mackinac Center for Public Policy. He said that while some steps could be taken to mitigate the pension fund’s insolvency, he doesn’t believe a bailout can be avoided, though he is opposed to one.

According to Dreyfuss, when the number of pension plans seeking insurance from the PBGC overwhelms it, Congress will be forced to come up with additional cash to avoid cuts to promised benefits. Currently, the PBGC is funded by annual premiums paid by pension plans. As of 2016, the PBGC was projected to be \$79.4 billion short of what it should have on hand to pay promised benefits, according to a 2017 report from the Government Accountability Office.

Dreyfuss said the underfunded pension funds should cut benefits, and the PBGC

should raise the yearly premiums it charges the plans.

In May 2016 the U.S. Department of Treasury rejected an application Central States made to reduce benefits, saying the proposal it received would not prevent the plan from becoming insolvent.

Zachary Christensen, a policy analyst with the Reason Foundation, added that trends in the investment market have increased the pressure on pension funds.

“The trend in lower investment returns — often called the ‘new normal’ — is creating pressures for public and private pension funds. To fulfill promised retirement benefits, contributions must be higher than previously estimated. Simply put, pension funds won’t have as much available as previously projected, and plan managers are struggling to adjust to the need for more funding,” Christensen said in an email.

While Greszler said that the Central States is no longer eligible to apply for benefit reductions, she believes other reforms could prevent taxpayers from picking up the tab for private sector union promises.

“Look, you have to start reducing benefits, even for people that are receiving them today, so that future workers don’t get zero and everyone before gets 100 percent,” Greszler said. ■

The original version of this story was posted online on July 30, 2018 and is available at MichCapCon.com/25732.

Number Of Michiganders Collecting Unemployment Down 90 Percent Since 2009

BY TOM GANTERT

During the week of June 24, 2009, 363,212 Michigan residents were collecting unemployment insurance benefits. Nine years later, just 35,247 were collecting unemployment benefits, a decline of 90 percent. It’s also the lowest number since 1987.

The individuals getting these benefits this past June represented just 0.83 percent of the state’s total workforce. The state’s unemployment rate was 4.5 percent in June, according to the U.S. Bureau of Labor Statistics.

“The labor market situation in Michigan is great for people looking for a job and tough

for firms who want to hire,” said Don Grimes, a University of Michigan economist.

James Hohman, director of fiscal policy at the Mackinac Center for Public Policy, said he is not surprised that the number of unemployment claims reached a record low.

“Michigan’s been adding jobs for the past seven years and limited the maximum length of time a person can collect,” Hohman said in an email.

A 2012 law reduced the maximum time someone can receive benefits from 26 weeks to 20 weeks. ■

The original version of this story was posted online on Aug. 4, 2018 and is available at MichCapCon.com/25747.



U of M's Office Of Institutional Equity Is In Court For Due Process Violations

BY DEREK DRAPLIN

A federal court last week ordered the University of Michigan to provide a hearing for a male student accused of sexual assault. The student claimed in a June lawsuit that his due process rights were violated by the school during the ongoing investigation, since he was not given a hearing with a chance to question his accuser.

On March 20, 2018, a female student filed a complaint with the university's Office of Institutional Equity alleging that the male student, listed as "John Doe," sexually assaulted her in a dorm room in November 2017. During the ensuing investigation, Doe maintained the sex was consensual, and both students said they were acquaintances prior to the encounter and continued to speak afterward.

Doe had been on track to graduate in April 2018 and was accepted to several graduate school programs, including one at the University of Michigan. On April 19, the university informed Doe it had put a hold on his



student account, which meant he could not receive a copy of his transcripts while the investigation was in progress. He also faced potential expulsion.

Doe filed a lawsuit in June alleging that the university's policy, which doesn't allow a hearing in cases involving sexual misconduct, "created an environment in which decision-makers at the University are explicitly and implicitly biased against males accused of sexual assault."

U.S. District Court Judge Arthur Tarnow in June ruled that the university must release Doe's transcripts. Another ruling from Tarnow last Friday granted Doe a limited hearing in the ongoing investigation. During that meeting, Doe will be able to submit questions to his accuser through a resolution officer. Tarnow's ruling only applies to Doe's case, so the university's existing policy doesn't have to change.

"Defendants essentially ask the Court to sit back and wait for the investigator to issue findings against Plaintiff [Doe] before intervening in this action," the court ruling says. "But, at this very moment, the University may be denying Plaintiff due process protections to which he is entitled. The Court cannot, and will not, simply standby as the fruit continues to rot on the tree. This case is ripe for adjudication."

"Because of the University's method of private questioning through the investigator, Plaintiff has no way of knowing which questions are actually being asked of Claimant or her response to those questions," the ruling continues. "Without a live proceeding, the risk of an erroneous deprivation of Plaintiff's interest in his reputation, education, and employment is significant."

University spokesman Rick Fitzgerald declined to comment, citing the pending nature of the litigation.

The University of Michigan's handling of sexual misconduct cases has repeatedly been brought

to question within the last several years.

U-M was one of many universities under investigation by the U.S. Department of Education in 2014 for its handling of sexual assault complaints, according to the Chronicle of Higher Education. One notable case occurred when University of Michigan football player Brendan Gibbons was expelled in Dec. 2013 for an incident that reportedly occurred in Nov. 2009.

In another case, the university reversed its findings that student Drew Sterrett was responsible for the sexual assault of a female student, after he sued it for violating his due process rights. The university had suspended him, and he later dropped out because of the accusations and ongoing investigation, but the university had not held a trial, let him have access to a lawyer during questioning, or provided any written charges against him. ■

The original version of this story was posted online on July 13, 2018 and is available at MichCapCon.com/25704.

Superintendent Accused of Intimidation Against Recall Petition Signers

BY TOM GANTERT

A Michigan public school superintendent is accused of trying to intimidate supporters of a petition to recall four school board members.

Greg Gaw, one of the people involved in the recall campaign in the Britton Deerfield school district, claims Superintendent Stacy Johnson has been trying to intimidate recall supporters. Gaw said that he collected 471 signatures, more than the required minimum of 311.

Gaw pointed to social media posts made by the superintendent about the recall campaign in the small southeast Michigan district.

"The signature pages are public documents," Johnson posted in a Facebook comment. "We will see them all. Sorry if

you don't like that but that's just the way it is."

In another Facebook post, Johnson stated, "Also — the signatures will ALL be reviewed by administration and the board members, as well as the clerk's office! It will be interesting to see who really wants to sign something that will have such a negative impact on our school district and it's positive momentum!"

Gaw said it was the county clerk's job to certify signatures and that Johnson's comments were meant to intimidate people thinking of supporting the recall effort.

The Adrian Daily Telegram reported that the petitions targeted board vice president Ben Allshouse, secretary Yvonne Thomas, treasurer Brian Bartush and trustee Doug Mayher Jr.

School board president Todd Ost stated in an email that the Facebook comments made by Johnson don't tell the complete story.

"Superintendent Johnson and our schools have been the subject of near daily attacks by a small group of citizens who are unhappy about recent staffing changes. Those attacks go far beyond a school board recall petition. This group has spread mistruths about the superintendent, including going so far as to file a false complaint against her with the Michigan Department of Education and a false police report against her with the Michigan State Police, both of which were investigated and promptly closed," Ost wrote. "Members of the group have also publicly defamed the District itself by suggesting that it is facing an

imminent state takeover, which is not close to true. All of this has the potential to damage the District's reputation and to undo all of the progress the District has made over the past two years."

Ost continued: "It is my understanding that Mrs. Johnson's Facebook posts, which you referenced in your email, were made after Mrs. Johnson learned that members of the community were under the mistaken impression that they could sign the recall petition anonymously. As you know, that is not the case. Mrs. Johnson was attempting to clarify that point. Additionally, a person who signs the recall petition is likely someone who is not satisfied with the District or its leadership. By identifying those individuals, Mrs. Johnson

optimistically believed that she could open a dialogue with them to better understand and address their concerns."

Ost stated: "Mrs. Johnson and the Board encourage members of the community to continue their dialogue about the future of Britton Deerfield Schools. We ask that everyone do so in a respectful manner based on the facts. Finally, the District and the Board respect the public's voice and their right to engage in the political process. The Board and the District will not tolerate any form of retaliation or harassment against any person for expressing his or her views, including by signing a recall petition." ■

The original version of this story was posted online on Aug. 6, 2018 and is available at MichCapCon.com/25748.

Detroit Teachers: Never Mind The \$617 Million, What Have You Given Us Lately?

State taxpayers delivered a big bailout in 2016, now union demands more

BY TOM GANTERT

In 2016, Detroit Public Schools received a \$617 million bailout approved by the state Legislature, wiping out the debt incurred by years of the district spending more than it took in.

Just two years later, members of the renamed system, the Detroit Public Schools Community District, were holding signs complaining that the state isn't spending enough money on public schools.

The Detroit Federation of Teachers-Local 231 posted May 10 on Twitter a series of pictures featuring teachers holding signs that said what they would be able to do if the government "funded Michigan schools."

Some of the signs said teachers could have smaller classes and clean and safe buildings.

The average class size in the district this school year is 21.59 students. The median

class size is a bit higher at 24 students per classroom. In addition to the overspending debt covered by the bailout, the district received a financial boost when, in November 2009, local residents approved a property tax increase to pay for \$500.5 million in new debt for building improvements.

And according to the Michigan Department of Education, operations at Detroit Public Schools Community District are among the best-funded in the state.

The Detroit public school district received \$14,754 per pupil in local, state and federal funds for its general fund in 2016-17, the most recent year for which data is available. That was nearly \$5,000 per pupil above the state average of \$9,910.

As candidates to be Michigan's next governor begin campaigning in earnest, the American Federation of Teachers-Michigan has started its own campaign — to claim

that Michigan taxpayers are insufficiently funding their school districts.

It's not just Detroit's public school district that is receiving more money.

One Detroit Federation Teachers union member held up a sign that read:

"DEAR CANDIDATE:
IF MY SCHOOL HAD MORE FUNDING,
I could have smaller class sizes!
I LIVE IN Redford"

That would be the Redford Union School District, where the local union belongs to the Michigan Education Association.

The AFT-Michigan union member holding up a sign that states he lives in Redford should know that his school district is receiving \$5 million more in state funds than it did in 2010-11, despite having 84 fewer students.

Redford Union School District received \$7,249 per pupil in state funding in 2010-11 (not including local or federal money). That translates into \$8,214 per pupil if measured in 2018 dollars.

In the current school year, Redford Union will receive \$9,075 in state funding for each student. That's an \$861 per-pupil increase over 2010-11 when inflation is factored in.

Democratic gubernatorial candidate Mark Schauer made school funding one of his top campaign themes in 2014, and it backfired when his claims of school budget cuts were widely debunked in the media and elsewhere. ■

The original version of this story was posted online on May 14, 2018 and is available at MichCapCon.com/25585.

Medicaid Dues Skim May Come To An End, After All

BY EVAN CARTER

The U.S. Department of Health and Human Services has signaled that it is considering a rule prohibiting states from deducting union dues from checks sent to home health aides employed by Medicaid beneficiaries. This in-home care is often provided by friends and relatives, who receive their checks from the state.

The practice of states classifying these aides as public employees and letting unions deduct dues from their checks, sometimes referred to as a "dues skim," is currently allowed in 11 states.

The Olympia, Washington-based Freedom Foundation estimates that in 2017, about \$150 million in union dues was skimmed from Medicaid checks.

In Michigan, the state allowed the Service Employees International Union to skim \$34.4 million from Medicaid checks between November 2006 and May 2012. The practice officially ended in Michigan in April 2013.

At some point between 1992 and 2015, 15 states allowed unions to take a share of Medicaid money that was meant to pay health aides. This came about after unions "organized" those aides through processes that raised questions and were not transparent. In 14 states and three counties in California, it was done either through union votes that, on average, saw just

27 percent of targeted workers participate, or with a "card check" process. Under card check, workers are contacted one at a time by union associates and asked to sign a card indicating their support for forming a union and paying dues.

The Mackinac Center for Public Policy was the first organization in the country to challenge the legality of dues skimming. Michigan Capitol Confidential, which is published by the Mackinac Center, also published over 100 articles on the subject.

In April 2013, Gov. Rick Snyder signed a new state law declaring home health care workers to be private employees, not public ones, and thus not subject to unionization. That same month, the Michigan Department of Community Health ended a contract with the SEIU that had been established during the term of former Gov. Jennifer Granholm. With the end of the contract, dues skimming stopped.

In the 2014 U.S. Supreme Court ruling *Harris v. Quinn*, the court held that these Medicaid home health care providers are not state employees and so are not subject to unionization under federal labor law. But the ruling didn't explicitly prohibit states from siphoning money from Medicaid checks to union coffers, usually the SEIU or the American Federation of State, County and Municipal Employees.



"The Mackinac Center's leadership in ending the dues skim in Michigan set the stage for both the Supreme Court's opinion in *Harris v. Quinn* and this proposed rule, which should once and for all prevent public employee unions from improperly taking money meant to assist some of our country's most vulnerable citizens," said Patrick Wright, who was the lead attorney on the Mackinac Center's dues skim-related lawsuits and is the head of the Mackinac Center Legal Foundation.

The Mackinac Center for Public Policy has submitted a public comment to the U.S. Department of Health and Human Services, sharing its experiences opposing unions skimming money from Medicaid

payments to those caring for sick friends and relatives.

"Michigan's experience provides compelling insight into what happens when the rights of independent home care providers are deprived through compulsory or coerced union fees," the Mackinac Center's comment reads in part. "According to a report by the U.S. Department of Labor, SEIU Healthcare Michigan's membership fell from 55,265 in 2012 to 10,918 in 2013, once mandatory payment of union fees was no longer a condition of employment." ■

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FISCAL LEGACY

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of federal stimulus money that rolled in toward the end of Granholm's tenure.

There is also around \$1 billion in the state's rainy day fund.

During Snyder's time in office, there was never a state government shut down, in part due to there being a Republican House and Senate, a case of single-party control (a "trifecta") his predecessor never enjoyed.

TAX POLICY

The overall state of the economy drives year-to-year budget changes, but major fiscal policy decisions are made outside the budget process. Tax policy decisions made in one year can affect budgets for years to come, for example, and the same is true with other laws that influence how much governments have to spend.

Snyder's major tax policy reform happened in 2011 when he eliminated the Michigan Business Tax — a complex and burdensome business tax — and replaced it with a flat, low corporate income tax. The move was a simplification and a tax reduction that also eliminated a number of business tax credits and exemptions.

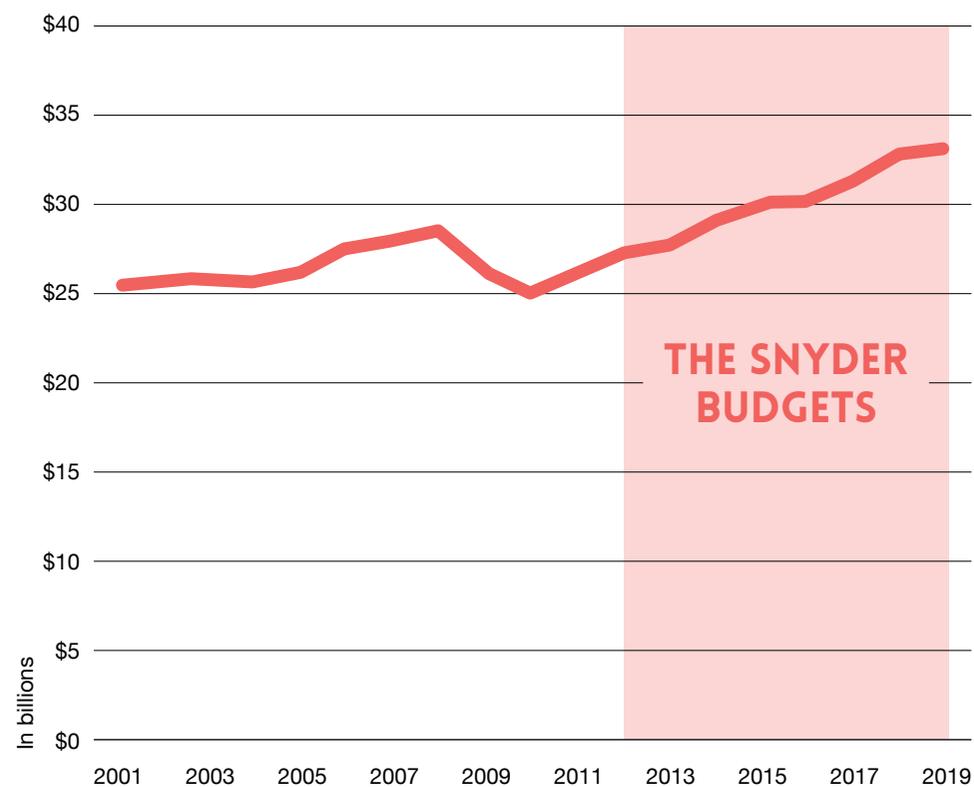
The same measure also revised the personal income tax levied on individuals, repealing a number of credits and tightening the eligibility rules for a homestead property tax credit program that reduces the tax burden on low- and middle-class residents.

Snyder restructured the state's exemptions of pension income. The tax reform the governor signed eliminated that specific exemption and replaced it with a limited exemption on all income, not just pension income, received by people of retirement age. Since the new exemption amount is lower than the one it replaced, some pensioners became subjected to paying more income tax.

The 2011 reforms also canceled already-scheduled reductions in the personal income tax rate. In 2007, Granholm and the Legislature imposed a temporary 11.5 percent increase in the income tax rate. At the same time, they enacted a statutory promise to roll back tax the rate from 4.35 percent to 3.9 percent over time. But only a single rollback of 0.1 percentage point was allowed before Snyder and the Legislature scrapped future ones. In 2017, he opposed an effort by House Republican leaders to reduce the rate.

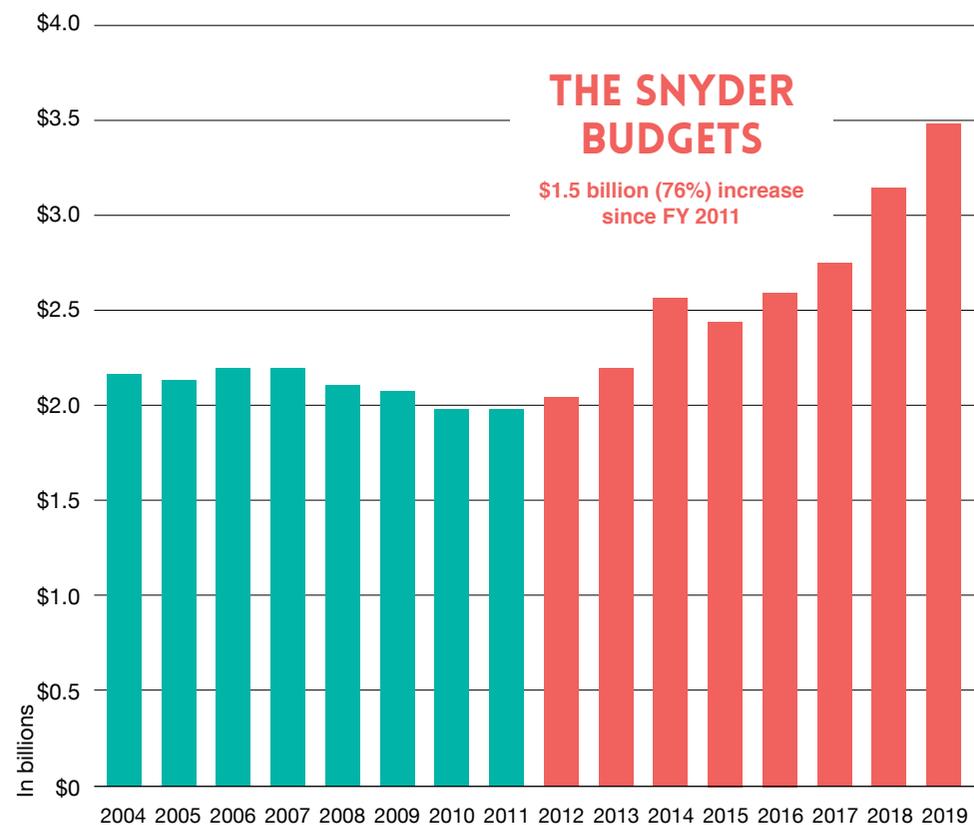
The net effect of the 2011 tax changes was a large reduction in business tax revenue and a net increase in income tax revenue collected from individuals.

STATE TAXES AND FEES



Source: Author's calculations based on data from the Senate Fiscal Agency and the Bureau of Labor Statistics mackinac.org

STATE TRANSPORTATION FUNDING



Source: Senate Fiscal Agency mackinac.org

Snyder also took on the challenge of reforming the personal property tax. Michigan businesses are subject to property taxes levied on real property, which are assessed on the value of land and structures. But they also pay property tax on the value of their tools and equipment, which can include everything from heavy equipment to paper clips. The governor called for a statewide referendum that would create exemptions from this tax and give them to manufacturers and small businesses that have less than \$80,000 in business equipment. Local governments were the main beneficiaries of these taxes, and under the referendum, the revenue they would lose to the reform would be reimbursed with money from the state. This change required voter approval, and voters gave it, 69 percent to 31 percent.

The governor ended extra fines on certain traffic violations authorized in 2003 to solve temporary budget problems. The fines were hard to collect and the unpaid tickets hurt many low-income state residents.

In 2014 Snyder called for a legislative ballot initiative that would have authorized increases in sales and fuel taxes, with the money allocated to schools and roads. Voters rejected this proposal 80 percent to 20 percent. Subsequently, legislative leaders were able, in 2015, to garner sufficient votes to increase fuel and vehicle registration taxes for road repairs and also earmark some state income tax revenue to the transportation budget.

OTHER FISCAL POLICY REFORMS

Snyder presided over some other important changes in fiscal policy. The largest was to limit public officials' ability to underfund the state-run school pension system, which is Michigan's largest government retirement system. The reform did this by offering new employees a choice between a 401(k)-style plan, or participation in a defined benefit pension plan with cost-containment measures. Under the new law, employees themselves are responsible for half the costs if state contributions to the pension fund are insufficient to pay for promised benefits. The full effects of this reform will be felt only over decades, but it can save billions, considering how past actions had led to the system being underfunded by \$29.4 billion.

Michigan also began to move away from pay-as-you-go funding for its rescindable pledge to provide health insurance to state and school retirees. It started to

fund the promises by putting money into individual accounts.

In addition, active school employees are required to contribute to the costs of their health insurance as the result of a 2012 law.

The Snyder administration pressed legislators to accept the Obamacare Medicaid expansion that made families and childless adults with incomes of up to 138 percent of the federal poverty level eligible for benefits. The federal government picked up the entire cost at first, but the state share is rising to an eventual 10 percent.

Snyder also approved eligibility limits for other social assistance programs like food stamps and unemployment insurance.

Candidate Rick Snyder was critical of business subsidy programs when he ran for

office in 2010, and as part of his 2011 business tax overhaul as governor, he suspended a program that delivered subsidies through the tax code. But at the same time, he created new business subsidy programs that require annual appropriations in the state budget. In 2017 he partially reversed course by championing two new off-budget business subsidy programs that may cost taxpayers up to \$1.2 billion.

Snyder also pledged to use something he called Value For Money budgeting. If he is using it, he's doing so quietly.

The governor insisted upon maintaining a public website, or dashboard, of state government performance. It's still around and provides information about the state of the economy, public school performance, the condition of current infrastructure and more.

WHERE THE SNYDER ADMINISTRATION LANDS

Rick Snyder is no small government conservative and did not govern as one. But neither is he a big spender. If anything, his fiscal policy has largely been that of the status quo. He has had priorities, which have shaped where state government is today: There is more money for roads, Medicaid, schools and for a rainy day, too.

There were both tax increases and tax cuts over Snyder's two terms. The governor championed two tax cuts for businesses, and he advocated fuel and vehicle registration tax hikes that went to road maintenance. He canceled income tax rate cuts that were already prescribed in state statute and clamped down on granting various income certain exemptions, credits

and deductions — even for politically favored groups like pensioners. Overall, Snyder's tax changes slightly increased state revenue, though improvements in the state economy generated more revenue than the policy changes did.

Snyder ushered retirement system reforms that can prevent the state from bankrupting itself through promising pensions now and kicking their costs onto future generations. Pension funding is a big problem all over the country, and it can only be fixed with long-term solutions. If his pension reforms stick, they should be his most significant legacy for Michigan's long-term fiscal future. ■

The original version of this story was posted online on July 28, 2018 and is available at MichCapCon.com/25727.

94 Hours A Week: Presumed Load For This Financial Manager Of Three Michigan Cities

He's collecting six-figure salaries from two of those metro-area municipalities

BY TOM GANTERT

When the village of Lake Orion hired Carl Johnson to be its finance director/treasurer, it made his status as a municipal employee exceptional.

Johnson is now the finance director for three separate municipal governments in southeastern Michigan. He is also listed as the finance director and chief financial officer for the city of Novi and finance director for the city of River Rouge.

Johnson's hiring for the Lake Orion position was approved June 25 by the village council. According to the village's website, Johnson gets \$23.34 per hour as the finance director and can put in up to 29 hours a week.

According to public records obtained through a Freedom of Information Act request, between the time Johnson started in June and the end of July, he collected \$1,752 from Lake Orion. Novi paid Johnson an annual salary of \$120,100 in 2017. In that same year, he collected an annual salary



Photo via Village of Lake Orion website

of \$150,000 from the city of River Rouge, according to city records.

In 2017, while already getting paid to be the finance director at Novi and River Rouge, Johnson applied for but did not get the controller position at Northfield Township.

This is not the first time Johnson has held jobs at three local governments. Before

taking the River Rouge position in 2017, he was the finance director for the city of Oak Park. There was an overlap of a few weeks when he began the River Rouge job and quit the Oak Park job.

Based on his hourly rate for Lake Orion and his total pay there for the months of June and July, Johnson appears to have

actually put in about 14 hours per week for that village. At that rate, and assuming that a six-figure municipal salary is based on working 40 hours a week, Johnson would be expected to put in a total of 94 hours per week in all three jobs. The figure could go as high as 109 hours per week if he routinely put in the 29-hour maximum for Lake Orion.

Johnson worked as an accountant for 15 years at Plante Moran, where, among other things, he provided financial services for municipalities that had contracts with the accountancy firm. In the past, Johnson's municipal employers have said he was a high-quality employee and they were very satisfied with his performance.

Johnson didn't respond to an email seeking comment. ■

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Would Residents Favor School Spending Hike If It Meant 21 Percent Income Tax Hike?

BY TOM GANTERT

A Washington, D.C., consulting firm released survey results that its sponsors claim show strong support among Michigan residents for a \$1,500 per-pupil increase in funding for Michigan's public schools. Although that amount was mentioned, the survey did not explicitly ask respondents — who were also told that current funding is inadequate — whether they supported such an increase.

The increase would amount to a \$2.3 billion rise in spending on K-12 public schools. Paying for such an increase would require the equivalent of a 21 percent increase in the state income tax rate, from 4.25 percent to 5.15 percent.

While respondents weren't asked if they favored such an increase in school spending, the \$1,500 per student figure was mentioned in a 116-word preface leading up to the question.

A question in the poll states, "Changing gears a bit, I am going to read you some details about a proposal about changing the way schools are funded in Michigan by establishing a standard, per pupil funding formula?"

"Business leaders and education experts from across the state came together last year to address inadequate funding for public and



charter schools in Michigan. This diverse and nonpartisan group commissioned a one-of-a-kind study to determine the base cost of educating a student. The amount excludes transportation like bussing, food service, like lunches, and capital costs, like building construction and upkeep. It recommends a \$1,500 increase in current funding levels, from \$8,000 per student per year to \$9,590 per student per year. Some people are proposing to use the findings of this study to change the way we run schools and establish a standard, per pupil funding baseline amount for all Michigan public and charter school students."

"Would you favor or oppose this proposal to change the way schools are funded in Michigan by establishing a standard, per pupil funding formula?"

To that question, 60 percent of the people either stated they "somewhat favor" or "strongly favor."

The survey was commissioned by a group largely comprised of school spending interests. Greenberg, Quinlan Rosner, the research firm which conducted the survey, didn't respond to an email seeking comment.

If \$2.3 billion more for schools were funded with spending cuts rather than a

tax hike, the amount required would be the equivalent of a 62 percent cut in funding for road repairs. Alternately, it would be equivalent to closing all the state's prisons and eliminating 75 percent of the state's funding for community colleges.

Ari Adler, spokesman for Gov. Rick Snyder, said that school funding has increased over the years.

"If talking strictly funding, it's important to note that total state taxpayer spending on education now stands at nearly \$13 billion annually," he said in an email. "Since fiscal year 2011, K-12 funding has increased by \$2.1 billion. In addition, the fiscal year 2019 budget provides the largest per-pupil increase in more than 15 years and significantly reduce the equity gap among districts."

State-only funding for all public schools was \$10.80 billion in 2010-11. It is \$12.86 billion in 2017-18. In 2010-11, the state spent the equivalent of \$11.87 billion when stated in 2018 dollars, meaning that after inflation, state spending on schools has increased by \$1 billion since then. ■

The original version of this story was posted online on Aug. 24, 2018 and is available at MichCapCon.com/25800.

U-M Research Guide Leans Left On 'Fake News' And Media Bias

BY TOM GANTERT

A visitor to the online store of Fairness & Accuracy in Reporting (FAIR) would find three books and one DVD highlighted for sale to support the self-described media watchdog's operations.

The books are titled: "Blowing the Roof Off the Twenty-First Century Media, Politics, and the Struggle for Post-Capitalist Democracy"; "The Oh Really? Factor: Unspinning Fox News Channel's Bill O'Reilly"; and "The Way Things Aren't: Rush Limbaugh's Reign of Error." The DVD is titled, "Outfoxed: Rupert Murdoch's War on Journalism." All express a strong left-of-center viewpoint.

FAIR calls itself the national progressive media watchdog group that challenges misinformation.

Yet, the University of Michigan's efforts to educate people about what constitutes legitimate news sites directs people to FAIR as a valid source for trying to detect bias in media.

The advice appears on a website, focusing on news sources, that was created by the University of Michigan's library staff, in a module called "Fake News' and Misinformation." The page also promotes other "watchdog and fact-checking sites" that one media expert claims are actually partisan or have a liberal bias. These include The Washington Post, Snopes.com, and Politifact.com, among others.

The U-M site also links to a controversial list of "false, misleading" news sites that include some prominent conservative outlets. The list is the product of Melissa Zimdars, a Merrimack College professor who is a supporter of socialist politician Bernie Sanders and once tweeted that she would like Oprah Winfrey to be the next president.

For example, Zimdars branded CNSNews and Breitbart as "unreliable" and biased and said PJ Media was biased. But left-leaning sites such as Huffington Post and Vox were not included in the spreadsheet's evaluation of news sites.

University of Michigan spokesman Alan Pinon stated that the librarians created the guide to "help students navigate the vast resources of the U-M Library."

"This particular one is centered on helping students understand news media related resources," Pinon said in an email. "The news sources section is primarily focused on the resources the students can access through the library, as well as suggested resources for students studying the news media."

Timothy Groseclose, a professor of economics at George Mason University who has studied the impact of media bias on elections, said he wasn't familiar with all the website that the U-M library guide links to.

"But of the ones with which I'm familiar, I'd say that all lean left," Groseclose said. "No way would I direct my students, or any other people, to that web site. ... Further, the website, it appears to me, promotes a partisan — specifically liberal/progressive

— agenda. If the voters of the state of Michigan knew their tax money was paying for this, I don't think they'd be too happy."

Groseclose, who did a study on bias in the media while he was a professor at UCLA, questioned why U-M would allow librarians to put together such a site.

"Usually when a university tries to provide information to the public, it relies on its professors," Groseclose said in an email. "After all, they're the ones who've earned Ph.D.s, published in peer-reviewed journals, and generally become experts on a subject. That site is run by staff members at U. of Michigan, specifically its librarians. I have a hunch that the leaders of the university are not fully aware of this. And I have a feeling that many professors at the U. of Michigan would not be too happy with this."

The list of hundreds of websites that Zimdars compiled includes many that are unambiguously "fake news" or "hate speech."

See "Fake News," Page 15

MSU Coaches Frequent Users Of State Aircraft

Purpose of Dantonio, Izzo's trips not disclosed; recruitment runs one likely use

BY DEREK DRAPLIN

Michigan State University athletics officials took 16 trips using Michigan Department of Transportation aircraft in the 2016-17 fiscal year. MSU has been using the aircraft since 2008, according to flight records made public.

While the practice is legal, it's notable, since MSU appears to be the only state university to frequently use MDOT aircraft.

Tom Izzo, head coach of the men's basketball team, has used state aircraft for five trips since October 2016, some with other basketball staff and players. One trip Izzo took by himself in May 2017 from Lansing to Chicago and back cost over \$2,400. Izzo's five flights combined, along with some of his staff and players, cost \$15,700 total.

Head football coach Mark Dantonio took two trips using MDOT aircraft since December 2016. Dantonio and then-associate head coach Harlon Barnett took a trip from Lansing to Knoxville, Tennessee; Sarasota, Florida; Atlanta, Georgia; and back to Lansing between Dec. 7 and 8, which cost \$10,500. Dantonio also took a one-day trip by himself in March 2017 from Lansing to Windsor Locks, Connecticut, and back that cost \$5,550. In total, Dantonio's two trips cost over \$16,000.

Women's basketball head coach Suzy Merchant took four trips between October

2016 and September 2017, with costs totaling almost \$13,700

The flights were likely recruiting trips. While the MSU athletic department did respond to an email, it did not respond to a question about the nature of the trips.

MDOT owns five aircraft, which state government agencies regularly use. Michigan State University and Michigan Technological University, which has only used an MDOT aircraft once since 2016, are the only public universities to use the department's aircraft, according to recent flight logs. It is unclear why MSU uses state-owned aircraft.

The University of Michigan didn't respond to an email asking what its arrangements were for its coaching staff's flights. USA Today reported in 2016 that U-M football coach Jim Harbaugh's contract requires that the university provide him with private aircraft time for recruiting purposes. Harbaugh's expenses for private jets was \$136,000 over a 12-day period, according to the newspaper.

Michigan State's athletic department has long used MDOT planes. The practice shows up on flight records for the first time in 2008. From October 2008 through September 2009, MSU's athletic coaches and staff used MDOT planes 12 times and incurred \$12,084 in expenses. The most recent flight data from October 2016 through September 2017 shows the MSU

sports teams used MDOT planes 13 times and incurred \$52,329 in expenses.

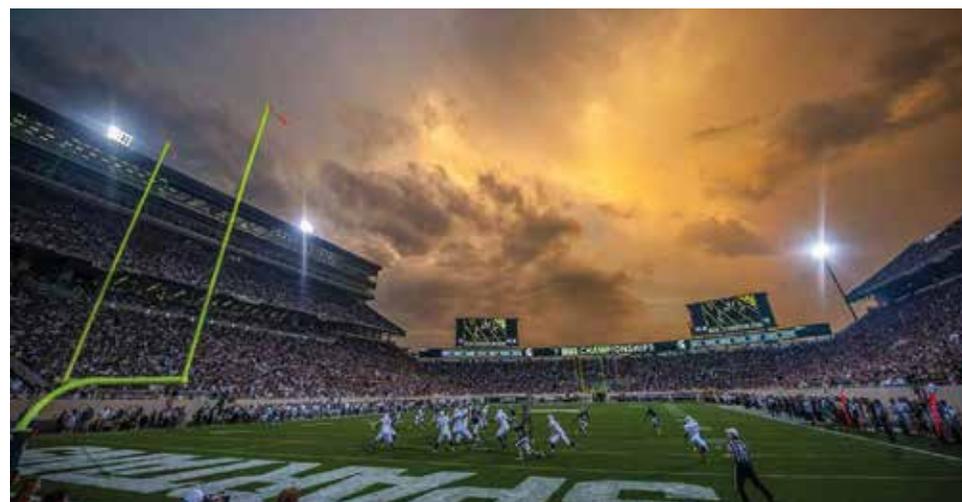
Agencies and the universities that use MDOT's aircraft pay for the use, but MDOT did not elaborate on its payment policies in an email.

"Owned and operated by MDOT, the current state aircraft fleet it is utilized state agencies, Veterans & Military Affairs, state police, and state-funded universities when it's cost-beneficial and a time savings to the agency, most typically for long-haul flights. They also can be used to respond to emergencies, like the recent flood in the upper

peninsula," said Michael Frezell, a spokesman for MDOT, in an email. "The planes support group travel of three to five passengers in two of the planes and five to nine in another."

Michigan Capitol Confidential previously reported the total costs of five aircraft that MDOT owns was over \$5.6 million from 2015-17. State Rep. Shane Hernandez, R-Port Huron sits on the appropriations committee and is reviewing the cost effectiveness of MDOT's fleet of planes. ■

The original version of this story was posted online on Sept. 3, 2018 and is available at MichCapCon.com/25812.



State Spends \$5.6 Million On Aircraft Over Three Years

BY DEREK DRAPLIN

The Michigan Department of Transportation has spent over \$5.6 million on five aircraft over the past three years, a Freedom of Information Act request found. The aircraft were used in 2015-16 to transport officials and staff from the state Department of Environmental Quality, Department of Health & Human Services, the Office of the Governor, the Michigan Economic Development Corporation, the Department of Natural Resources and the Michigan State Police.

The spending includes direct operating costs, insurance, and salary and retirement expenses. The Mackinac Center for Public Policy, which publishes Michigan Capitol Confidential, filed the FOIA request in June.

Total spending for the aircraft in 2015 was \$1.64 million. That year, \$571,315 was spent

on salaries and wages; \$60,351 on overtime; \$97,564.00 on insurance; \$362,443 on retirement benefits; \$234,343 on contracted services, supplies, and materials; and \$278,326 on fuel, among other expenditures.

The spending went down to \$1.6 million in 2016. That year, \$550,726 was spent on salaries and wages; \$46,881 on overtime; \$93,219 on insurance; \$326,948 on retirement; \$356,333 on contracted services, supplies, and materials; and \$207,662 on fuel.

In 2017, total spending on the aircraft rose to \$2.4 million because of an engine replacement, according to MDOT. That year, \$471,376 was spent on salaries and wages; \$48,480 on overtime; \$72,667 on insurance; \$282,650 on retirement; \$1,336,547 on contracted services, supplies, and materials; and \$175,488 on fuel.

MDOT is required to publicly post its flight logs, which show the aircraft

are regularly used by other government entities, including public universities like Michigan State University and Michigan Technological University. The departments or universities then pay MDOT for the use.

MDOT's Jeff Cranson did not say what else MDOT uses the aircraft for and did not respond to a question about the department's billing policy.

The state budget prohibits legislators or their staff from using the MDOT aircraft "without prior approval from the senate majority leader or the speaker of the house of representatives and only when the aircraft is already scheduled by state agencies on related official state business."

One of the department's five aircraft was "slated for disposal" around the time of the FOIA response, a move required by the Legislature in the 2018 state budget.

"Four aircraft are located in Lansing. One aircraft is located in Marquette," MDOT said in its FOIA response.

Rep. Shane Hernandez, R-Port Huron, who sits on the appropriations committee, said money used for the aircraft expenses could be better used for taxpayers.

"This is a perfect example where these government entities could create efficiencies on the administrative side that go to programs that affect taxpayers, like airport improvement programs, pavement and fixing potholes, things like that," Hernandez said.

"We don't need more money, we just need to use it right. This is a perfect example of us not doing that," he added. ■

The original version of this story was posted online on Sept. 1, 2018 and is available at MichCapCon.com/25811.

Township Voters Give Firm 'No' To Government Internet Plan

Recent study found 90 percent of such plans fail

BY EVAN CARTER

After a number of local governments in Michigan have begun building broadband networks, voters in one rural Washtenaw County township rejected a government-administered internet proposal by large margins.

Residents of Sharon Township voted 587 to 319 in a May 2018 election to reject a property tax increase — of \$3.26 per \$1,000 of taxable value — that would service debt incurred by a 20-year, \$4.9 million bond meant to pay for a fiber-optic internet network.

If voters had approved the tax increase, the project would have provided a high-speed internet connection to all 711 homes and businesses in the community.

While the proposal received the support of some residents, the proposal received strong pushback from others, who believed that the tax increase would disproportionately affect farmers.

A May 2017 study from the University of Pennsylvania Law School casts some doubt on the financial viability of municipal fiber projects. It concluded that only 2 of the 20 projects studied earned enough revenue to expect to cover their projected costs over the useful life of the network.

According to Christopher Yoo, one of the study's authors, many government officials fail to realize that the difficult part of operating a fiber network is not building it, but attracting customers and making revenue.

Sharon Township Supervisor Peter Psarouthakis isn't worried about the financial issues other municipal internet projects have faced, because he believes each situation is unique.

"Studies are just that, studies," Psarouthakis said. "Our conclusion, a majority of the board's conclusion, was that if the community wanted this, it would be financially feasible."

Jim Mann, a Sharon Township property owner who works in real estate, said the tax increase would have cost one farmer he talked to \$32,000 over 20 years, in addition to the service fees it would bring.

Mann said that he would have been more in favor of the proposal if the taxes had been assessed on a household basis. He also believes fixed wireless internet offers good options at a much cheaper price than a hard-wired system.

Fixed wireless internet uses transmitters to wirelessly send an internet connection to any home with a receiver that pays for the service. Fixed wireless internet can achieve similar speeds to a wired broadband connection without having to physically connect a house up to the network.

"All of our vacant land was paying for internet farmers didn't need. Farmers are approximately 20 percent of the township," Mann said. "Right now we're working with a wireless carrier."

Mann provided Michigan Capitol Confidential with a draft proposal from Air Advantage. The wireless internet company estimates that five towers, between 150 and 180 feet tall and costing between \$80,000 to \$100,000, could broadcast an internet signal that would reach most properties in the township.

Psarouthakis said he isn't in favor of fixed wireless internet because of the speeds it offers, the likelihood that it wouldn't serve every township resident and the possibility that a customer's data could be capped after a certain amount is used.

"I'm anti-taxes to a point," Psarouthakis said, "but when your community is telling you that we want this municipal fiber network — then at that point, I'll talk taxes."

Psarouthakis continued: "When your constituents are demanding something being done, you have to present them with something or step down and let someone else step up and try."



Image via Sharon Township's website

Psarouthakis said the township worked with several groups, including the Michigan Broadband Cooperative, to educate township residents about the potential benefits of a municipal-owned internet service. The cooperative describes itself as a group of western Washtenaw County residents and friends who are working to bring affordable, high-quality, reliable, and uncapped internet service to the area.

A feasibility study commissioned by the township suggested that the township not only build the fiber-optic internet network but also play the role of internet service provider. The study also predicts that internet service would begin at a cost of \$35 per month, with at least 60 percent of residents signing up the service.

A number of local governments in Michigan have approved municipal-fiber networks and are in the process of building them.

The city of Marshall is building network infrastructure and at the end of May 2018 announced it had acquired 200 customers for its Fibernet internet service.

Traverse City Light & Power is currently reviewing information from various

companies about a possible network, according to Tim Arends, its executive director. The utility plans to eventually select a vendor to develop a full-project plan for a phased rollout.

The Holland Board of Public Works currently serves approximately 500 customers with fiber service that spans Ottawa County, according to the Ashley Kimble, a spokeswoman with the agency. With the addition of a new fiber cable, it has increased its customer base by 16 percent over the past year.

Lyndon Township expects to sign a contract with Midwestern Energy & Communications to make it the internet service provider for the township's yet-to-be-built fiber-optic network, according to township supervisor Marc Keezer. Keezer also said that after the township issued a request for proposals from companies interested in building the physical infrastructure of a municipal internet, it received bids from four firms. ■

The original version of this story was posted online on Aug. 3, 2018 and is available at MichCapCon.com/25740.

Detroit's Per-Resident Revenue Sharing Haul More Than Double Most Other Towns'

A Detroit Free Press reporter covering the Michigan Democratic Party gubernatorial debates tweeted: "Democratic gubernatorial candidate Abdul El-Sayed slams revenue sharing arrangements that he says are hurting cities like Detroit. Michigan has 'balanced its budgets on the back of municipalities.'"

FORtheRECORD says: Thanks to a political deal made in the 1990s, the city of

Detroit receives an outsized share of state revenue sharing payments compared to other cities.

Detroit received \$197.8 million in revenue sharing from the state in the 2017 fiscal year (the latest for which complete data is available). That was up from \$172.5 million in FY 2012 and comes to \$242.15 per resident. The 2017 amount came to \$277.62 per resident.

By comparison, Grand Rapids received

\$20.4 million in the 2017 fiscal year, or \$108.71 per resident. Ann Arbor received \$10.8 million, or \$94.68 per resident.

One portion of state revenue sharing is set by the state constitution, and the rest, called "statutory" revenue sharing, is determined by the Legislature. Statewide, local governments received \$255 million in statutory revenue sharing in FY 2017. Detroit got 55 percent of this amount, or \$141 million.

The formula for determining annual state revenue sharing payouts has become less generous over the past decade, but because state tax revenue has grown rapidly, Detroit is nevertheless getting more now than it did in 2012. ■

The original version of this story was posted online on July 25, 2018 and is available at MichCapCon.com/25725.

Home, Assets Tied Up For Years As Family Awaits Forfeiture Process

Questions raised about how law enforcement freezes property during trial

BY JARRETT SKORUP

The owners of a Michigan business were charged three years ago with running an illegal gambling operation. While the husband and wife who own the business have not been convicted of a crime, law enforcement officials have nevertheless frozen nearly all of their assets with the hope of eventually acquiring them through a legal process called asset forfeiture. Civil liberty groups say this can be a significant problem for people trying to mount a legal defense.

In this case, prosecutors have indicated they will not pursue forfeiture unless a conviction is secured. That makes this case different from most asset forfeiture cases in Michigan, where the government seeks to take ownership of property before or without a conviction. But this is an example of the damage that can be done to individuals while their court cases drag on for years.

The Michigan Gaming Control Board had received information going back to 2011 pointing to an increase in the number of internet cafes and similar businesses. These operations sell customers access to the internet for a limited time, which they can use to play games and win prizes or sweepstakes. The board and law enforcement agencies have investigated some of these businesses, suspecting that they give customers an opportunity to gamble illegally. State law defines gambling as games of chance played for money or other things of value, and only allows it in prescribed settings such as casinos, the state lottery, and some limited raffles and charity games.

Susan Hernandez-Zitka and Bruce Zitka were co-owners of three businesses in West Michigan that rented out computer equipment. They maintain that their

Muskegon County companies — the Landing Strip, the Lucky Mouse and the Fast Lane — were not gambling operations but primarily computer rentals. They ran sweepstakes to promote the businesses, but entries were free of charge. Customers could take part in online games, including lotteries, video poker and slots, but the results were predetermined. In other words, they argue, their customers were not playing a game of chance.

In 2015, the Michigan Gaming Control Board launched an undercover investigation that also involved the Norton Shores Police Department. Initially, the Attorney General's office turned the case over to the city of Norton Shores. After an undercover investigation, the city attorney filed a complaint in circuit court to shut the business down.

Susan Zitka then met with the police investigator and city prosecutor and showed them how the games worked, demonstrating that the results were predetermined. In a report, the local investigator wrote that he met with attorneys and noted: "I explained my interview with Susan Zitka and that the casino-style games appeared predetermined." In early 2016, the city and the Zitkas entered an agreement that closed the case, provided the business continued operating without violating any gambling laws.

Relying on that agreement and the dismissal from the circuit court, the Zitkas continued to operate the business as before. But shortly thereafter, the gaming board reopened the investigation through the Attorney General's office and the Zitkas were eventually charged with conducting a gambling operation and using a computer to commit a crime. The businesses and home of the Zitkas were then raided in August of

2016, for which authorities had obtained a search warrant. According to Susan Zitka, their business, tax and personal banking accounts were all frozen and a forfeiture lien was placed on their home, which they challenged within 21 days.

The charges were bound from a district court in West Michigan to a circuit court near Lansing. The Ingham County Circuit Court dismissed the cases in April 2017, an act which the Attorney General's office then appealed. The Zitkas also filed a motion for a return of the property, but this was stayed pending the appeal. In May 2018, the Michigan Court of Appeals reversed the dismissal. The case is now going to trial.

Susan Zitka says that the state has seized assets, including her home, that had no connection to the internet cafes, and that these assets are needed to pay attorneys. Total assets include about \$120,000 in money from three bank accounts, \$5,000 in cash from the businesses, \$1,500 in cash from the Zitka home, a variety of computers and video gaming equipment, and a Muskegon residence worth about \$195,000, where the Zitkas live. The family still lives there, but there is a lien on it, and it cannot be sold.

Susan Zitka says the case and the expenses are taking a huge toll on her and her family.

"Our businesses were in Muskegon County. Our home is in Muskegon County. Yet we had to turn ourselves in to the jail in Lansing and are being prosecuted in Lansing," she noted. "Which means every time we go to court it is a five hour round trip for us, not to mention [an] expense that we can't afford when they have all our money tied up. ... Every couple of weeks I am getting notices from the state and penalties because the third quarter taxes from 2016 are due. They send levy warrants in the mail and other things are accumulating because we don't have access to pay anything."

She says her family accumulated the vast majority of its assets and the home well before it ever got involved in the disputed businesses. She also noted that unfortunate circumstances mean they have taken on the full guardianship of two grandchildren, including one with special needs.

"My husband and I opened these businesses in 2013 while my husband was still working and I had recently left my job," she said. "We have worked our whole life before this venture. I was an independent contractor who was on the road doing insurance physicals for companies for life insurance policies and the business was to help supplement [our income

when I was not working]. We didn't even open until noon."

Bruce Zitka retired in 2014 and is 68 years old. The home was purchased in 2000, according to public records.

"For them to even go after our home is nonsense," she said. "Our business was in a business location but because they found business records in our home, it was seized."

In court filings, prosecutors say they believe the money seized was involved in criminal activity and that some private funds initially seized were quickly released once they concluded they were not connected to the alleged crimes. Zitka says that money was primarily Bruce's benefits from Social Security.

Darpana Sheth is a senior attorney for the Institute for Justice, a public interest law firm that has litigated many civil forfeiture cases. She says this case shows the need for the U.S. Supreme Court to reverse previous decisions allowing what she calls "the absurd reality of prosecutors and police depriving people of property before a crime has been proven."

"The Supreme Court has aptly characterized the pretrial restraint of assets as a 'nuclear weapon' for prosecutors," Sheth said. "At a time when individuals are supposed to be presumed innocent, prosecutors can hobble those individuals from defending themselves by freezing assets needed to pay for counsel, bail, or even basic necessities of life. Although six members of the Supreme Court wrongly concluded [in *Kaley v. United States*] that this system of punishment before trial does not raise any constitutional concerns, Congress and state legislatures remain free to and should restore the presumption of innocence and at minimum allow individuals an opportunity to challenge the prosecutors' decision to freeze needed assets."

The Attorney General's office said it cannot comment on pending criminal cases.

"That sad part is that once this is over, even if we are not found guilty, we have lost three years of our life," Zitka said. "A lifetime of working has ended with everything being destroyed and we have no recourse for damages. They will just walk away and move on to the next one. How can you ever recover from something like this, especially at our age?" ■

The original version of this story was posted online on Aug. 22, 2018 and is available at MichCapCon.com/25774



Teachers Union On Supreme Court Janus Ruling: 'Women And Minorities Hardest Hit'

Assertion based on mistaken reading of Michigan's right-to-work law

BY TOM GANTERT

The president of the American Federation of Teachers implied that the Mackinac Center for Public Policy is sexist and racist for not targeting police and firefighters in a campaign to educate public employees about their newly recognized right to opt out of paying dues and fees to a union.

"I didn't see the Mackinac Center get every single police officer and every firefighter and try to get them to drop from their union," AFT President Randi Weingarten said, according to *Governing.com*, a website that caters to state and local government officials.

The comment appears to refer to the Mackinac Center's outreach activities to union members following the 2012 passage of Michigan's right-to-work law, which did not apply to police and fire employees.

Other public employees, including teachers, are covered by the Michigan law, however, and the Mackinac Center has been active in educating these individuals about their right to not pay union dues and fees under that law.

The exception that exists in Michigan law for public safety employees is not contained in the decision handed down on June 27 by the U.S. Supreme court in the case of *Janus v. AFSCME*. The effect of the ruling is that all state and local government employees nationwide — including police and firefighters — are no longer required to pay union dues or fees as a condition of employment.

The Mackinac Center is now part of a nationwide campaign to educate these workers about their newly recognized right to opt out of paying a union. The campaign includes a website, *My Pay My Say*,

intended to help union members opt out, and it includes information about police and firefighter unions in every state.

The story on *Governing.com* was titled, "The Janus Ruling Is a Blow to Public Unions. It's Especially Bad for Black Women."

The article cited an analysis by the union-funded Economic Policy Institute that claimed the *Janus v. AFSCME* ruling could have an "especially bad impact" on black women. The Supreme Court voted 5-4 in favor of *Janus*, and it based its decision on government workers' right to free speech.

The most acute impact, the article stated, could be felt in public schools, where there are more black women than in the public safety unions.

"What's amazing is that the right wing has set its sights on public-sector unions when at this moment they are disproportionately

female and disproportionately people of color," Weingarten said in the article. "It's pretty offensive."

Later, Weingarten was quoted as saying the Mackinac Center didn't target police and firefighters, but only schoolteachers.

Weingarten didn't realize, apparently, that the Mackinac Center's efforts focused on teachers in Michigan because police and fire unions were not covered by the state's right-to-work law.

Now that the *Janus* decision extends right-to-work status to public safety employees, they are included in the educational campaign.

The American Federation of Teachers did not respond to an email seeking comment. ■

The original version of this story was posted online on July 11, 2018 and is available at MichCapCon.com/25699.

Detroit Council Calls For \$15 Minimum Wage; Many City Workers Get Less

BY EVAN CARTER

While the Detroit City Council recently voted unanimously to pass a resolution supporting a \$15 per hour minimum wage, many city jobs pay less. Janitors, lifeguards, secretaries and others earn in the \$9-\$12 per hour range, and internship positions are unpaid.

The council's resolution was passed on June 19 and supports a local union's call for a minimum wage hike for janitorial and security workers employed by private firms in the city's downtown. More than a month after passing the resolution calling on employers to pay at least \$15 an hour, the city government is still posting jobs paying less than that.

The union behind the local minimum wage campaign is the SEIU, which a week earlier organized a rally that was attended by Detroit City Council President Brenda Jones.

The resolution reads in part, "The Detroit City Council strongly encourages downtown developers to voluntarily commit paying their employees a living wage, particularly their respective janitorial and security general staffs, for projects requiring significant public investment."

The union's campaign and city council's resolution are purely symbolic because state law prevents local governments from



imposing a minimum wage on private employers. (There are exceptions for work done under a contract with a local unit of government.)

Members of the Detroit Council could vote to raise the pay of all city employees to at least the proposed \$15 level. But a month after the council passed the resolution, the city was still advertising numerous positions that begin at a wage of less than \$15 an hour.

The list of jobs starting at less than \$15 an hour includes a lifeguard position at a municipal swimming pool (\$12.70-an-hour), an elections clerical assistant (\$9.93 to \$10.57 an hour) and a transportation equipment operator (\$12.69 to \$18.29 an hour). Seasonal jobs within the city's recreation department start at \$9.63 an hour.

Detroit City Councilmember Mary Sheffield said the City Council cannot unilaterally change the wages of city employees, but had requested a study on increasing the wages of all city employees.

"I'm confident that once the information is presented, City Council will once again speak through resolution and request that the Administration increase the pay for all City employees to \$15 per hour," Sheffield said.

Sheffield also pushed aside a question about the city's unpaid internships, saying that "interns are not employees" and "should not be a part of the discussion." The city offered an unpaid internship with the police department for this summer.

Wendy Block, a lobbyist for the Michigan Chamber of Commerce, said that instead

of backing symbolic and meaningless resolutions, the council should focus on policies to help people get jobs.

"At a time when unemployment is low and the labor market is tight, employers are scrambling to do everything they can do to attract and retain quality workers. That includes paying their employees a fair and competitive wage," Block said in an email. "However, raising the minimum wage to \$15 per hour would equate to a 62 percent increase from the minimum wage today. Make no mistake: Many employers simply cannot absorb an increase of this size and type on the balance sheet."

Asked if Mayor Mike Duggan's office would support a \$15 minimum wage for the city's employees, Detroit corporation counsel Lawrence Garcia said in an email statement that "the State of Michigan has set a minimum wage for workers in Michigan through MCL 408.414. This law prevents the City from creating an ordinance on minimum wage." ■

Editor's note: Comment from Detroit's corporate counsel added after the article was originally published.

The original version of this story was posted online on July 20, 2018 and is available at MichCapCon.com/25717.

This Michigan Utility Is Planning Your Energy Future

BY EVAN CARTER

Consumers Energy is planning to completely eliminate its ability to generate electricity with coal- and nuclear-powered facilities by 2040 and reduce its natural gas-powered generating capacity as well. Its customers will instead depend on renewable sources and power purchased from elsewhere for much of the electricity they use.

The regulated utility's plan represents a fundamental change in the structure of Michigan's electricity market. Specifically, it shifts away from an electricity grid that's largely supplied by conventional generation sources that consistently produce "baseload power" and are supplemented by smaller generators that can be revved up during hours of peak demand.

Michigan families and businesses will instead rely on a system that is capable of producing far less baseload power and heavily depends on intermittent renewable sources, including solar and wind. These intermittent sources also will be buttressed by programs to encourage customers to use less electricity. The utility will use stored power from facilities like the Ludington Pumped Storage Plant and buy power from other utilities outside the state.

Steven Transeth, who served as a commissioner on the Michigan Public Service Commission from July 2007 to January 2010, believes Michigan's utilities must move away from generating electricity with fossil fuels.

"We have to move towards [clean energy generation] and even though some of that, the regulatory environment, especially from the federal level, has been somewhat less stringent as it may have been, I think that we'll probably return to less carbon-based generation facilities," Transeth said in a phone interview. "The renewables are going to be front and center, with natural gas being the backup to ensure we have continual power."

Consumers Energy's Proposed Electricity-Generating Capacity in 2040

Natural Gas	1,385 MW
Wind Turbines	881 MW
Solar Arrays (includes power purchase agreements)	6,507 MW
Hydro, landfill gas, biomass, anaerobic digester, solid waste	194 MW
Coal	0 MW
Nuclear	0 MW
Total	8,967 MW**

** Total figure represents nameplate capacity, and does not reflect the energy grid's total projected electricity production, which could be less depending on different factors.

Consumers Energy's Proposed Electricity Storage Capacity in 2040

Pumped Storage	1,169 MW
Battery Storage	450 MW
Total	1,619 MW

Source: Consumers Energy

mackinac.org

Jason Hayes, the director of environmental policy at the Mackinac Center for Public Policy, said he believes the utility's plans are risky.

"Consumers' planning documents take pains to present this as something reasonable and prudent, but what they're doing is, at its core, risky and untried," Hayes said in a phone interview. "They're moving from a system that has been deliberately developed with an overcapacity of baseload and peaking generation resources and moving to a primarily non-dispatchable system."

"Dispatchable power" refers to generation sources that can be "dispatched" — turned on or off, or have their power output adjusted — as the amount of electricity required changes. Dispatchable power sources include natural gas, nuclear, coal

and hydroelectric. Wind and solar, by contrast, are not dispatchable. That is because they can only produce electricity when the wind is blowing, or the sun is shining.

By the year 2040, Consumers Energy plans to have shut down facilities that use coal to generate more than 2,000 megawatts of electricity. It also plans to have reduced its natural gas-powered capacity by more than 2,800 megawatts and have terminated a power-purchasing agreement with the Palisades nuclear facility, which can generate more than 800 megawatts.

In the place of the retired electricity-generating capacity, the utility plans to install 550 megawatts of wind turbines and 6,350 megawatts of solar arrays. It also anticipates using agreements to purchase

another 150 megawatts of solar power from other producers.

In addition, the company is planning to construct battery storage facilities that could provide up to 450 megawatts of electricity for a limited number of hours.

In 2040, the utility's Jackson and Zeeland generating plants, which use natural gas, will still be working and providing 1,385 megawatts of consistent, or baseload power.

The largest component of Consumers electricity generating capacity in 2040 — its "portfolio" in industry terms — will be solar arrays. The company estimates that it will install solar arrays that cover between 25,000 to 35,000 acres by 2040.

On average, it is sunny or partially sunny in Detroit 49 percent of the year, 47 percent in Flint, 44 percent in Grand Rapids and 48 percent in Lansing, according to a report from the National Centers for Environmental Information.

Consumers Energy documents show the company expects to rely heavily on electricity from out-of-state generators by 2040. In response to questions about the challenges to solar generation posed by Michigan's climate, a statement from the company said it had factored in those challenges. The statement also pointed to the potential cost savings of changing the portfolio.

"Our sophisticated computer models considered the relative reduction in energy production that may occur in the winter and during less optimal days and continues to project that solar energy will often be the lowest cost option for customers in the future," the statement said. "In addition, solar energy is most valuable to us during peak load days, which are usually in the middle of summer when it is hot and sunny." ■

The original version of this story was posted online on July 23, 2018 and is available at MichCapCon.com/25723.

FAKE NEWS

from Page Ten

But alongside these are other sites that do legitimate reporting with a forthright conservative or center-right point of view. And notably, similar sites with a center-left point of view are not included.

So for example, Zimdars calls out The Daily Caller news site with the labels "political," "clickbait," and "bias." Analogous websites that are forthrightly left-leaning —

like The Huffington Post, BuzzFeed or Vox — are not included on her list and so escape the tarnish of being batched together with what all sides agree are genuinely bad actors.

"I think what's problematic is when the people doing the determining are themselves biased and, as this resource indicates, not very media literate," said Geoffrey Ingersoll, an editor-in-chief of The Daily Caller.

"I've run two newspapers. I have a master's in journalism from New York University. I've reported on the ground

in Iraq, Afghanistan. I've been on staff in newsrooms ranging from CNN and NY Daily News to Business Insider and Marine Corps Times," Ingersoll said in an email. "I find these kinds of passive-aggressive categorizations happen frequently, are usually superficially applied, and more often than not, spring primarily from a source of political disagreement than any kind of legitimate or objective analysis. There's no doubt in my mind that many of these sites on this list are garbage and,

it appears to me, academics are attempting to use a tidal wave of bull[****] to sully the reputations of what few conservative sites that do actually report real news."

In June, the state Legislature passed an appropriation bill that grants the University of Michigan \$320.7 million state tax dollars in the fiscal year that begins Oct. 1, 2018. ■

The original version of this story was posted online on Aug. 28, 2018 and is available at MichCapCon.com/25803.

I'M JUST A BILL

Michigan✓**votes.org**

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

Legislative Initiative Petition 3

Mandate employers provide paid leave

To mandate that all employers in the state (except federal agencies) grant employees one hour of paid leave for every 30 hours worked, up to a total of 40 hours annually for small businesses, and 72 hours annually for larger employers. The leave could be used for individual or family medical issues, domestic violence issues, school meetings and more. Employers would be required to keep relevant records for five years, and under procedures specified in the measure, a violation claim by an employee could potentially subject an employer to a legal presumption of having broken the law.

Legislative Initiative Petition 4

Increase statewide minimum wage mandate

To make it unlawful to pay a worker less than \$12.00 per hour by 2022, by gradually increasing the current \$9.25 per hour wage mandate. Also, to eliminate a lower minimum wage for tipped workers by 2024. (Under current law, while the mandated minimum is lower for tipped workers, employers must still pay the difference between the it and the regular minimum wage if tips come up short.) A lower minimum wage for 16- and 17-year-olds would also go up.

Senate Bill 40

Expand state subsidies for particular companies on state line

Introduced by Sen. Dale W. Zorn (R)

To let certain businesses near the state line collect up to \$10 million in state business subsidies for hiring people who do not live in Michigan. The House has not voted on this bill.

House Bill 4315

Eliminate foreign language from graduation standards

Introduced by Rep. Beth Griffin (R)

To allow a student to get a high school diploma without meeting the current two-credit language requirement by instead taking a computer class or one in "visual or performing arts." The Senate has not voted on this bill.

Senate Bill 1072

Expand regulations, restrictions on bait fish

Introduced by Sen. Mike Kowall (R)

To impose a registration mandate on persons who sell live, nonnative aquatic species. The bill would also tighten restrictions on activities of boaters and anglers that facilitate invasive species introductions, including an explicit ban on releasing baitfish. Referred to committee, no further action at this time.

House Bill 4070

Revise government eminent domain takings

Introduced by Rep. Klint Kesto (R)

To require all state agencies to pay attorney fees and court costs of private real property owners if a "governmental action" results in a loss of value and the department or agency failed to consult guidelines on government takings promulgated by the Attorney General. The state and federal constitutions requires governments to compensate owners when their property is taken. The Senate has not voted on this bill.

House Bill 6072

Require breakfast all morning in some schools

Introduced by Rep. Robert Kosowski (D)

To require that schools with a very high proportion of students from low income families must offer free breakfasts to students using "a serving model that best suits the pupils enrolled." The bill labels this a "Breakfast After the Bell Nutrition Program," which means food would remain accessible after the school day begins. Referred to committee, no further action at this time.