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A Mackinac Center Report

Recommendations to Strengthen Civil Society and Balance Michigan's State Budget

Michael D. LaFaive,
Project Manager

An Analysis of Fiscal-Year 2002-03 Appropriations and Recommendations for 2003-04.

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Mackinac Center for Public Policy
140 West Main Street
P.O. Box 568
Midland, Michigan 48640
(989) 631-0900 • Fax (989) 631-0964
www.mackinac.org • mcpp@mackinac.org

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INTRODUCTION

Tough times, tough decisions. But also magnificent opportunities. That's what a looming state budget deficit means for Gov. Jennifer Granholm and Michigan's newly elected 92nd Legislature. Make no mistake about it: The soft economy and resulting decline in state revenues will dominate politics in Lansing this year as officials struggle to fulfill the state's responsibilities and its constitutional mandate to balance income and expenses. How officials respond will be determined by whether they see our situation as a crisis to be survived, or an opportunity to be welcomed.

State programs will be under the microscope, scrutinized in more detail than they have been in perhaps a decade. Priorities will be re-examined, and some programs may be eliminated. Others will be pared back. The state workforce will shrink. Certain government duties, once regarded as sacrosanct, will be found to be expendable after all. Adjustments of one degree or another will be undertaken within all 20 state departments. Ingenious and compassionate private citizens and organizations will surprise skeptics by expanding or arising to do what had recently been an activity of the state.

As challenging as the situation may seem, we must keep it in perspective. First, state government is not the only means, nor necessarily the best means, for meeting human needs. Second, state government is not the only entity in Michigan that's having a difficult time. Hundreds of thousands of Michigan families, nonprofits, and businesses are, too. Indeed, it's precisely *because* those families and business are in trouble that the state is in trouble. We should never forget that the state has nothing to spend for anybody except what it first takes from somebody. And the state's first priority ought to be the fiscal health of the hard-working people who, as taxpayers, have to pay the state's bills before they pay their own. When they are not unduly burdened by taxes, they have less need for assistance themselves and more ability to help those who do need assistance.

All across Michigan, citizens are coping with the challenges of an ailing economy. And they are coping by re-examining their spending. They are re-prioritizing, and doing without some things they'd love to have. They are hiring less, spending less, and taking fewer and shorter vacations closer to home. They are stretching further the dollars they have, and generally exerting the discipline necessary to weather the storm. Why should state government not do the same? In fact, why wouldn't we welcome this as an opportunity for officials to demonstrate the discipline and prudence we expect from them?

Another matter that should inform the budget debate in Lansing is the fact that Michigan families and businesses are shouldering a tax burden that is still above the average among the 50 states. What we get in exchange is a mixed bag. We get decent roads and good schools in some areas. But more often than not we get excessive construction costs, inefficient bureaucracies, and schools that parents and children are desperate to escape.

Due in large measure to rising property tax rates and assessments, state and local taxes actually have risen since 1993, the year before Proposal A passed, from 10.7 percent of total personal income in Michigan to 10.8 percent in 2000, the most recent year for which numbers are available. The state's Single Business Tax exacts a "take" that represents a larger portion of business income than that of perhaps any corporate income tax in the other 49 states. Even a May 2002 report from the Michigan Economic Development Corporation showed that Michigan ranks 16th among 17 peer states in business costs (meaning that 15 of the 17 states with whom we compete have *lower* costs). Michigan simply must make more progress in reducing the financial burdens it imposes on its workers, families and businesses. Because we live in a competitive and highly mobile world, we cannot afford to do otherwise.

Gov. Granholm and the Legislature can pursue any number of courses as they navigate today's troubled fiscal waters. On the one hand, they could ignore the difficulties faced by the state's citizens and simply raise taxes. That would drive people and businesses elsewhere, and in the long run undermine the state's financial health for many years. Until the early 1990s, that's what Michigan often did, inspiring the all-too-familiar line that the last person to leave the state should turn the lights out. On the other hand, the governor and Legislature could follow the example of most of the state's citizens who know what to do when times are tough: Make tough decisions.

There is a magnificent opportunity in these difficult times to make a huge difference in how state government relates to its citizens — to regroup, stick to the basics and do them well, and trust the people. This is a time to strengthen civil society — that network of private institutions, community associations, schools and religious organizations, families and friends and coworkers, and all their voluntary, from-the-heart interactions. There is room for politics in our lives, but most of what enriches and defines us as a progressive and compassionate people emanates from other, deeper sources.

As government grows, civil society shrinks. When government moves beyond its core functions, it does not create things out of thin air so much as it displaces what a free people would choose to do. And it ends up performing too many tasks too poorly, including the ones we absolutely must rely upon for the sake of safety and basic, essential services. If this is a radical notion, then America was founded on radical notions.

For all people interested in the advancement and enrichment of our culture, this is a crucial observation with far-reaching implications. Cultural progress should not be defined as taking more and more of what other people have earned and spending it on "good" things through a government bureaucracy. Genuine cultural progress occurs when individuals solve problems without resorting to politicians, or the police and bureaucrats they employ. How can we restore and strengthen the attitudes and institutions that formed the foundation of American civil society?

Certainly, we can never do so by blindly embracing government programs that crowd out private initiatives or by impugning the motives of those who raise legitimate questions about those government programs. We cannot restore civil society if we have no confidence in ourselves and believe that government has a monopoly on compassion. We'll never get there if we tax away large portions of people's earnings and then, like children who never learned their arithmetic, complain that people can't afford to meet certain of their needs.

We can advance civil society only when people get serious about replacing government programs with private initiative, when discussion gets beyond such infantile reasoning as, "If you want to cut government subsidies for Meals on Wheels, you must be in favor of starving the elderly." Civil society blossoms when we understand that "hiring" the expensive middleman of government is not the best way to "do good"; that it often breaks the connection between people in need and caring people who want to help. We make progress when the "government is the answer" cure is recognized for what it is: false charity, a cop-out, a simplistic non-answer that doesn't get the job done well, even though it allows advocates to believe they've done the right thing.

The kind of leadership we at the Mackinac Center for Public Policy hope to see from Lansing in 2003 and beyond is defined by adherence to the principle enunciated by Thomas Jefferson in his first inaugural address:

> . . . a wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government . . .

In accordance with this Jeffersonian principle, the Legislature and the governor should evaluate each item in the state budget, asking 12 key questions:

- Does the item weaken communities by assuming a responsibility best left to private families, charities or firms?
- Does the item duplicate what other state agencies or the federal government are doing in that area?
- Does the item primarily benefit a single favored constituency or region rather than the state as a whole?
- Are direct users or beneficiaries of the service paying a reasonable amount of the cost?
- Does the item create or expand an "entitlement" that cannot be reasonably withdrawn if necessary or advisable in the future?
- Has the item received significantly more money in recent years but not used that money in the most effective way?
- Has the item been funded in the past by deceptive or inappropriate legislative or executive actions?
- Does the item use taxpayer funds for political advocacy or to discriminate against racial or ethnic groups?
- Does the item discourage self-help and personal independence unnecessarily or encourage reliance upon government?
- Does the item yield benefits commensurate with costs?

∉# Does the item force private businesses to unfairly compete with the state?
∉# Does the appropriation growth of an item exceed the rate of inflation or real personal income growth?

The Mackinac Center for Public Policy recognizes that not all budget cuts are created equal. Some represent the proverbial "low-hanging fruit" — easy to reach, if not painless. Other budget cuts would surely entail at least short-term pain. We encourage readers to consider the potential for *long-term gain* — from all the cuts recommended herein, whether they be "low-hanging fruit" or, to mix metaphors, the "sacred cows" of the Lansing establishment.

Michigan citizens have reason to be encouraged by the statements made by incoming Gov. Granholm and her representatives since the November 2002 election — statements to the effect that she will address the budget deficit from the spending side and avoid raising the tax burden on still-overburdened Michiganians. If she follows through and makes the tough decisions required in these tough times, she will truly display the kind of leadership she was elected for, and the Mackinac Center for Public Policy will be in the forefront of a cascade of praise that will be due her.

Scrutinizing every nook and cranny of state government, raising questions about previously unquestioned premises, thinking creatively about how to do things better, if the state is to continue doing them at all — these are healthy, positive attributes of forward-looking leadership in a free society. While some may approach the state's deficit with their minds already closed to the concept of downsizing the public sector, we ask readers of this document to think progressively. Why must the state do things as it always has? Why can't — and why shouldn't — private people and private institutions do more? Will they *ever* do more if we take for granted that they can't or shouldn't? With government at all levels consuming over 40 percent of national income — more than ever before in our nation's history — why isn't now a good time to make a big difference?

The following analysis examines the 2003 fiscal year state budget and makes recommendations for fiscal year 2004. If the legislature adopts the recommendations in this study it will be able to close the estimated $1.5 billion General Fund/General Purpose (GF/GP) budget deficit that is expected in fiscal year 2004, with millions to spare. Adopting every recommendation in this study would reduce overall state spending by $3.7 billion, which constitutes 14.2 percent of the total state budget. Of this total, $1,527,814,522 is from the GF/GP portion of the budget. We also recommend a 50 percent reduction in the state revenue sharing that is not constitutionally mandated, producing savings of $344,665,000, which should be redirected to the state's GF/GP fund. In addition, we recommend the sale of three state properties worth an estimated $69,600,000, a fee hike worth $25,280,155, the elimination of the Life Science Corridor Initiative, which would save another $45,000,000; and use of the $11,500,000 in annual revenue from the state's Indian Gaming Compact. Together, these savings and revenue enhancements exceed $2 billion.

Most complaints leveled against the proposals in this study will fit into one of two categories. First, people will argue, "Why cut a program that constitutes such a small proportion of the total budget?" And second, people personally affected by the program cut, such as recipients of direct subsidies, will oppose the proposal on the basis that it will affect them disproportionately. Both of these arguments are easily refuted when examined more closely. In the first case, while it is quite true that eliminating one program will have little effect on the overall size of the budget, many of these cuts will certainly affect some people more than others, but this is not coincidental — it is these same people who are benefiting disproportionately by the very presence of the programs. What is unjust or unfair is not the elimination of the programs, but their creation in the first place.

Over the past 12 years, the Engler administration took steps to reduce the size of state government. But there is far more work to be done. It is the Mackinac Center for Public Policy's hope that Gov. Granholm will take much of Lansing's power and return it to where it rightfully belongs: the homes of families and individuals who are the citizens of the Great Lakes State.

One final word is of introduction is necessary. It is important to note that the title of this study is not, "Reducing the Proportion of State Spending Paid by State Taxes." A large portion of Michigan's budget comes from the federal government. In this study we recommend cutting many expenditures funded entirely by Washington. The source of the funding is not the issue here. Restoring civil society requires reducing the role of coercive institutions (government) and increasing the role of formal and informal voluntary associations in improving peoples' lives and solving problems. If a state function is outside the proper role of government, the fact that the money goes through Washington first is of secondary importance. "That's federal money," is no excuse for continuing such functions.

A Note On Terminology

Each proposal within this analysis contains information described as the "appropriation breakdown." The numbers in these breakdowns refer to the origins of the funds used to pay for the program. There are four possible areas from which a program can be funded: Interdepartmental Grants, Federal Funds, General Fund/General Purpose (GF/GP) Funds, and Special Revenue Funds.

Interdepartmental Grants are exactly what the name implies: funds transferred from one state department to another. For example, if the Department of Commerce were to assume some of the computer processing responsibilities of the Department of Labor, Labor would issue a grant to Commerce to help pay for the provision of that service.

Federal Funds are funds sent from Washington to Lansing to subsidize the operations of various state programs. The source of Federal Funds is, of course, federal revenues, which are comprised of federal income tax, fuel tax, capital-gains tax, and tariff receipts, just to name a few sources.

General Fund/General Purpose Funds are funds gained by the state from three main areas: state personal income taxes, state sales and use taxes, and single-business and insurance taxes. These taxes are broad-based and (in theory, if not always in practice) intended to fund programs that also have broad-based effects.

Special Revenue Funds are comprised of many different types of state revenues. The most common type of Special Revenue Funds, however, is targeted taxes, user fees, and regulatory fees.

Summary of Recommendations**

	Actual Appropriation	Recommended Appropriation	Difference	Percent Change
Department of Agriculture	$96,470,700	$62,334,615	$34,136,085	35%
Department of Attorney General	$61,757,600	$61,757,600	$0	0%
Department of Career Development	$459,846,600	$0	$459,846,600	100%
Consumer and Industry Services	$555,001,500	$480,465,882	$74,535,618	13%
Department of Civil Rights	$14,367,700	$14,367,700	$0	0%
Department of Civil Services	$31,585,200	$28,067,175	$3,518,025	11%
Community Colleges	$321,732,319	$292,038,170	$29,694,149	9%
Department of Community Health	$9,799,182,300	$9,184,221,401	$614,960,899	6%
Department of Environmental Quality	$404,819,600	$396,344,250	$8,475,350	2%
Department of Management and Budget	$188,098,300	$185,893,000	$2,205,300	1%
Department of Natural Resources	$257,719,600	$239,005,400	$18,714,200	7%
Department of Education	$214,393,000	$222,944,100	($8,551,100)	-4%
Family Independence Agency	$4,074,490,500	$3,142,731,580	$931,758,920	23%
Higher Education	$1,943,345,166	$1,651,559,042	$291,786,124	15%
Information Technology	$424,006,800	$424,006,800	$0	0%
Department of History, Arts, and Libraries	$71,486,200	$20,764,230	$50,721,970	71%
Department of Corrections (Option II)	$1,704,350,600	$1,450,588,385	$253,762,215	15%
Department of Transportation	$3,125,181,500	$2,782,930,225	$342,251,275	11%
Department of Military and Veterans Affairs	$103,364,700	$73,346,500	$30,018,200	29%
Secretary of State	$180,055,800	$173,917,800	$6,138,000	3%
Department of State Police	$415,678,200	$345,257,732	$70,420,468	17%
Michigan Economic Development Corp.	$146,181,500	$0	$146,181,500*	100%
Department of Treasury	$1,961,566,900	$1,526,574,600	$434,992,300	22%
Total:	**$26,554,682,285**	**$22,759,116,187**	**$3,795,566,098**	**14.2%**

Summary of Savings by Revenue Source	
Interdepartmental Grants	$12,197,610
Federal Funds	$1,303,128,215
General Fund/General Purpose (GF/GP)	$1,527,814,522
Special Revenue Funds	$958,281,751
Total:	**$3,801,422,098**
Other Funds (GF/GP)	$5,856,000

*This figure is understated by $5,856,000 to reflect the changes in appropriation amounts after the fiscal year 2003 budget was passed. The MEDC received $8,856,000 in additional revenue after the summer cigarette tax increase, and then had its budget cut by $3 million due to Executive Order 2002-22.

**See the next page for a summary of savings and revenue enhancements.

Total Budget Savings and Revenue Enhancements by Category

General Fund/General Purpose Recommendations	$1,527,814,522
State Revenue Sharing from Special Revenue	$344,665,000
Sale of State Fair Grounds	$59,600,000
Sale of Ralph A. MacMullan Conference Center Property	$10,000,000
DNR State Park Fee Increase	$25,280,155
Strategic Fund Revenue Supplemental Appropriations*	$5,856,000
Life Science Corridor Initiative	$45,000,000
Indian Gaming Compact Revenue**	$11,500,000
TOTAL SAVINGS	**$2,029,715,677**

*The Strategic Fund received additional funding after its original budget had been passed. The $5.8 million is the GF/GP component of the supplemental funding.

**With the elimination of the Michigan Economic Development Corporation, revenue generated from the state's Indian Gaming Compact could be redirected to the GF/GP component of the state budget.

Department of Agriculture

Appropriation Summary	Actual[1]	Recommended	Savings
Interdepartmental Grants/Transfers	$10,953,800	$ 9,342,000	$ 1,611,800
Federal Funds	$ 6,639,500	$ 4,505,500	$ 2,134,000
General Fund/General Purpose	$38,407,400	$33,210,755	$ 5,196,645
Special Revenue Funds	$40,470,000	$15,276,360	$25,193,640
Gross Appropriation	**$96,470,700**	**$62,334,615**	**$34,136,085**

Following is a list of Michigan Department of Agriculture (MDA) programs and recommendations to downsize, outsource, or eliminate. The MDA was created in 1921 by the Michigan Legislature. According to the department's official web site, its mission is "to serve, promote and protect the food, agricultural, environmental and economic interests of the people of Michigan."[2] This sweeping statement effectively authorizes the department to involve itself in aspects of civil society in which government action may be unnecessary or counterproductive, distorting market mechanisms and incentives in the process. Accordingly, the Legislature should reduce and/or eliminate low-priority programs, including those listed below. Doing so will reduce the MDA budget by 35 percent.

I. Executive

Program: Commissions and boards

Appropriation:		
	Interdepartmental Grants:	$ 8,800
	Special Revenue Funds:	$15,000
	GF/GP:	$39,500
	Total:	$63,300[3]

Program Description:
The Commissions and Boards line item subsidizes the work of the Agricultural Commission, the Marketing and Bargaining Board, the Michigan State Fair Board, and the Upper Peninsula State Fair Board. The Agricultural Commission is a five-member bipartisan group of citizens appointed by the governor and subject to Senate confirmation. Members serve four-year staggered terms. By law, not more than three members may be of one political party. The commission appoints the director of the MDA and approves all rules and regulations promulgated by the MDA.

The Marketing and Bargaining Board administers Public Act 344 of 1972, which permits producers of perishable fruits and vegetables to be represented in negotiations for the price of commodities by an accredited agricultural association. Functions of the board include: determining the definition of a commodity bargain board unit, administering accreditation procedures, determining members of the accredited bargaining units, and protecting the rights of both growers and handlers. The State and Upper Peninsula Fair Boards oversee the operations of their respective fairs.

Recommended Action:
The MDA should be restructured according to the design of many other departments of state government, which do not have commissions to oversee department management. This could be accomplished in part by eliminating the Agricultural Commission, allowing the governor to choose the director, and granting the director the responsibility for setting department policy.

The Marketing and Bargaining Board should be eliminated, and its functions handled by the private sector. Both the producers and the processors of fruit and vegetables have every incentive to make sure that their negotiations over the price of their products go smoothly and without error. There is no reason to believe that agricultural producers, wholesalers and processors are any less able to conduct commerce than producers, wholesalers and users of other goods. State funding of the fair boards should be eliminated along with state funding of the fairs themselves. There is no reason to maintain them once the fairs are privatized (see recommendation on pages 14-15). **Savings: $63,300.**

Program: Unclassified positions

Appropriation:	Special Revenue Funds:	$ 80,500
	GF/GP:	$407,700
	Total:	$488,200[4]

Program Description:
"Unclassified Positions" reflects employees who fall outside the state's classified civil service. The positions include, appointments such as the Director of MDA, State Fair Manager, and Legislative Liaison.

Recommended Action:
With the elimination of approximately 35 percent of the Agriculture budget comes the ability to downsize these appropriations commensurately, producing an additional savings of approximately $170,870. This is an estimate only, and a detailed analysis of the impact of programs reductions is needed to determine exact savings. **Savings: $170,870.**

Program: Executive direction

Appropriation:	All from GF/GP:	$525,700
	Total:	$525,700

Program Description:
"Executive Direction" provides support services to the director of MDA. In other words, they are the director's staff.

Recommended Action:
With the elimination of approximately 35 percent of the Agriculture budget comes the ability to downsize these appropriations commensurately, producing an additional savings of approximately $183,995. This is an estimate only, and a detailed analysis of the impact of programs reductions is needed to determine exact savings. **Savings: $183,995.**

Program: Management services

Appropriation:	Special Revenue Funds:	$ 109,900
	GF/GP:	$3,587,300
	Total:	$3,697,200[5]

Program Description:
Management Services has historically provided financial administration and computer services. Computer services currently are handled on a line item of their own.

Recommended Action:
With the elimination of approximately 35 percent of the MDA budget comes the ability to downsize the Management Services division commensurately, producing a substantial additional savings of approximately $1,294,000. As a result of the state's 2002 "early out" program, which allowed state employees to retire earlier than previous rules allowed, the MDA already has reduced Management Services by 17 percent without eliminating any of the programs analyzed in this policy brief. The commensurate reduction of 35 percent may be a conservative estimate of what could be accomplished if policy-makers adopt Mackinac Center recommendations. This is an

estimate only, and a detailed analysis of the impact of programs reductions is needed to determine exact savings. **Savings: $1,249,020.**

Program: Statistical reporting service

Appropriation:	All from GF/GP:	$435,100
	Total:	$435,100[6]

Program Description:
The Statistical Reporting Service (SRS) maintains an agricultural database under an agreement with the United States Department of Agriculture (USDA). The agreement is designed to create and maintain a statistical service of use to the state and to the USDA. The SRS attempts to "keep accurate, current, and historical data for all commodities in the program."[7]

Recommended Action:
The state could extricate itself from its agreement with the USDA immediately. The functions associated with the agreement, if necessary, can be handled by the agriculture industry itself. Most non-agricultural industries provide market information without government assistance. There is no reason to expect any less from the agriculture industry. Indeed, private organizations exist in almost every area of commerce to survey producers and consumers and develop detailed and reliable market and safety information of the same kind provided for the agriculture industry through the SRS. This is true in every industry, from automobiles, computers and telephones, to snack food and insurance policies.[8] Indeed, both government and business routinely rely on private statistical survey research organizations, such as the Rockville, Md.-based WESTAT, or Mathematica, Inc., of Princeton, NJ. There is no reason to believe that the Michigan agricultural industry or federal and state governments could not look to organizations such as these for data collection and distribution. **Savings: $435,100.**

II. Pesticide and Plant Management

Program: Michigan State University

Appropriation:	All from Federal Funds:	$210,000
	Total:	$210,000[9]

Program Description:
This line item represents a grant from the federal government. It is designed to provide education and research for EPA plans involving the use of pesticides.

Recommended Action:
This line item could be struck from the budget. The MDA should not act as a pass-through agency for any Michigan university. This sort of "hidden funding" obscures the true cost of operating Michigan's extensive public university system. If Michigan State University has an interest in ongoing pesticide research, it could appropriate the money from the $326 million it will receive from the state in fiscal year 2003, or, federal law permitting, apply for a grant to the federal government directly.[10] An even better solution would be to use money from the considerable private donations MSU receives each year. Indeed, since July of 1999 alone MSU has raised $80 million just for its endowment (which now stands at $800 million); another $420 million was raised in cash, pledges and deferred gifts for annual expenditures; excluding the $46 million that was raised privately just to fund facility repair and construction. Whether or not MSU would be willing to support the program with money it earned by soliciting donations for the university is the perfect litmus test for evaluating the importance of the EPA program to MSU. This will force MSU officials to look harder at whether its pesticides program is truly worthwhile. **Savings: $210,000.**

III. Environmental Stewardship

Program: Cooperative resources management initiative

Appropriation:	All from Interdepartmental Grant:	$1,000,000
	Total:	$1,000,000[11]

Program Description:
According to the state's House Fiscal Agency, a nonpartisan agency that gives expert financial assistance to the House Appropriations Committee, this appropriation helps coordinate efforts of local, state and federal governments with private-sector conservation organizations who "work together to manage land in Michigan." It is designed to match private landowners with government partners who help the landowners design an effective land-management plan.

Recommended Action:
The state could remove itself from this initiative entirely. Private conservation groups are formed around the self-interest of the individuals who agree with the groups' missions. As a result, they maintain sufficient incentives to coordinate their own efforts without help from the state or other units of government. **Savings: $1,000,000.**

Program: Migrant labor housing

Appropriation:	All from GF/GP:	$550,000
	Total:	$550,000[12]

Program Description:
According to the state of Michigan, the Migrant Labor Housing program has two components. The first component involves licensing and inspection of any site occupied by more than five migrant workers. The second component involves grants for the construction of migrant housing.

Recommended Action:
To former Gov. Engler's credit, he reduced the appropriation for this program by 38.5 percent over the previous fiscal year (ending in 2002), but Gov. Granholm could go further and remove the state entirely from this program. Migrants have been finding satisfactory places to live on their own accord since long before the state began inspecting and licensing migrant housing in 1978.[13] Prior to 1978, every housing situation may not have been ideal — from either the observers' or migrants' perspective — but that does not mean people were worse off then as opposed to now, on net balance. The transitory needs and wants of employers and employees are too fluid and complex to be confined to the one-size-fits-all standardization model offered by a state program. The bottom line is that, unless adult migrant workers are being illegally defrauded or coerced, they are quite capable of accepting or rejecting housing based on how they themselves perceive the benefits and costs of living and working in a particular area.

In removing itself from this role, the state may wish to ease its financial and regulatory transition in one of two ways: by privatizing housing inspections in part or whole. The Mackinac Center for Public Policy has long recommended contracting out to private agencies for state and local inspections of housing and housing-related items. This form of partial privatization would work by having the MDA contract out inspection of the 950 sites under its jurisdiction. Such a move could shave 20 percent from this line item. (For more on this subject, see "Looking Over Private Inspections," in the Winter 2001 edition of Michigan Privatization Report.[14])

The state could, at a relatively small cost, alert those companies whose clients include farmers living in migrant housing to the fact that the state no longer intends to regulate such housing. This would serve to draw insurers' attention to the risk of having to make more payouts based on the provision of regulation-free housing by their clients. Insurers may or may not mandate similar private inspections and then reflect any concern that they may have by raising or lowering premiums paid by farmers to protect insured assets. **Savings: $550,000.**

IV. Laboratory Program

Program: Laboratory analysis program

Appropriation:	Interdepartmental Grants:	$ 181,900
	Federal Funds:	$ 300,000
	Special Revenue Funds:	$1,474,400
	GF/GP:	$4,365,200
	Total:	$6,321,500[15]

Program Description:
The Laboratory Analysis Program provides chemical testing and diagnostic services of a variety of substances for the state, to protect the health and welfare of citizens. For instance, farmers may have seeds tested for quality through this program.

Recommended Action:
There are two specific areas in "laboratory analysis" that should be removed from the MDA budget: equine drug testing and seed testing.

Equine drug testing: While it is true that the horse racing industry may wish to monitor drug levels in the bloodstreams of race horses to ensure the integrity and quality of the races, such an issue need not involve state government. Many sports monitor similar things without the benefit of state intrusion. For example, in weightlifting, swimming, and track and field, competitors are privately tested for legal and illegal consumption of performance enhancing drugs, and there has been very little trouble enforcing anti-drug rules. Major League Baseball soon may begin testing its players for anabolic steroids. The horse racing industry has, like the baseball and weightlifting industries, a vested interest in seeing their sport attain a high level of respect and legitimacy. Indeed, without spectator confidence in the legitimacy and fairness of the races, the horse racing industry would quickly perish. As a result of this incentive, the industry can be expected to regulate itself. **Savings: $509,000.**

Seed testing: The state Laboratory Analysis Program also analyzes seeds for farmers and seed dealers to ensure the quality of their seeds. This represents another corporate-welfare line item of the type found elsewhere in the MDA budget. For-profit industries have every incentive to ensure that the raw materials they use to make their products meet their standards of quality. If the industry believes that it needs a central source of analysis to check the quality of its seeds, it should use one of the many existing private agricultural associations — or create a new one — to do so. **Savings: $500,000** ($97,000 from GF/GP).[16]

Program: USDA monitoring program funds

Appropriation:	All from Federal Funds:	$1,824,000
	Total:	$1,824,000[17]

Program Description:
The USDA's pesticide data program is a federal program administered by state governments. Michigan is one of nine states participating in the program voluntarily.[18] The program is designed to survey data and prepare reports on residue from pesticide chemicals.

Recommended Action:
Michigan could easily opt to end participation in this program. As noted above for the SRS program, most non-agricultural industries obtain market information without government assistance. There is no reason to expect any less from the agriculture industry. This program also raises the issue of whether the state of Michigan should accept federal

funding for unnecessary or questionable programs, a practice which is commonly justified by the argument that if Michigan doesn't take the money, someone else will, and that Michigan citizens somehow will be worse off. However, such federal funds should not be viewed as "cost-free" gifts that provide Michigan with jobs and benefits.[19] After all, funding originates in Michigan and her sister states in the first place. Because the federal government redistributes money back to the states through its highly political and expensive bureaucracy, Michigan and other states may get back less than they send. This phenomenon led one commentator to remark that when our money goes to Washington it tends to have a night on the town before it comes back to us. Michigan should show leadership in this area by repudiating such funds and demanding that the federal government take less from state citizens in return. **Savings: $1,824,000.**

V. Market Development

Program: Market Development (Section 109)

Appropriation:	Interdepartmental Grants:	$ 603,000
	Federal Funds:	$ 100,000
	Special Revenue Funds:	$ 260,000
	GF/GP:	$2,492,800
	Total:	$3,455,800[20]

Program Description:
The Market Development program is effectively a marketing department for the state's private agriculture industry. It also subsidizes some charitable work with food banks in the state.

Recommended Action:
All line items underneath Section 109 of the MDA budget for the 2003 FY should be eliminated. There are no functions in this section of the budget that cannot or are not already being performed by private for-profit and nonprofit organizations. The following is a description of each individual program, and the amount that could be saved by elimination.

Marketing and Emergency Management: This program is designed to "serve as a catalyst, coordinator, and resource to provide promotional marketing, and economic development opportunities for Michigan's food and agricultural industry." It is also dedicated to "protecting the state's food and agriculture resources in times of emergencies."[21] Unfortunately, the marketing component of this line item is best described as corporate welfare for the agriculture industry. Agriculture is a profit-making industry and should not receive what are essentially marketing subsidies any more than the auto, computer, and defense industries should. A prime example of the department's unnecessary marketing efforts is the free distribution of Michigan Wine Country, a trade publication of the Michigan wine industry. (See subsequent discussions on the state's export marketing program on page 13.) **Savings: $2,005,600.**

Agriculture Development: The Agriculture Development Office was created in 1997 to help improve "economic and environmental sustainability and viability of Michigan's food and agriculture industry ... "[22] The office also "focuses on expansion of food and agricultural value-added processing ... "[23] For example, in September 2000, the MDA reached a grant agreement with the Midwest Nut Producers Council in which it would grant $82,255 in federal and state money to "develop, test and devise a marketing strategy for two products, a chestnut puree and chestnut crumble."[24] The grant will help the industry "work with 15-20 Michigan chefs to test and evaluate new chestnut products,"[25] and prepare recipes in their own restaurants using chestnuts, interview customers about the dishes, and provide feedback to the grantee.

Private industry has its own incentives for adding value to agricultural products — profit being one of them. By providing government money for such research, the state is, in effect, socializing the risk of the agriculture industry while helping to ensure profits that the industry may not otherwise see. In addition, the Agriculture Development Office may actually *hurt* agricultural processing businesses. It has used its own resources in conjunction with the Michigan Economic Development Corporation (MEDC) to grant special favors to particular firms, while giving none to their in-state rivals. The Summer 2002 issue of the Mackinac Center's Michigan Privatization Report, described how "Agricultural Processing Renaissance Zones" may do more harm than good.

The newest type of renaissance zone created in Michigan is known as Agricultural Processing Renaissance Zones, of which there are three, two in Oceana County and one in Ionia. All illustrate two basic problems with state favoritism in the name of "economic development": 1) It's unfair to businesses that do not receive the tax advantages offered; and 2) Officials can't prove that the development they claim as proof of the zone's success wouldn't have taken place without their interference.

Targeted tax relief places at a competitive disadvantage those businesses that do not get the state favors. This is why some Michigan agricultural companies, in January 2001, actively opposed zones being granted around the properties of their competitors, Peterson Farms, near Shelby, and Gray & Company in Hart.

One of the zones' critics, who asked to remain anonymous for fear of state retribution, told Michigan Privatization Report, "The state has put me at a terrible disadvantage by giving my competition substantial tax relief. How can Lansing bureaucrats possibly believe that hurting me will help the economy?" This was generally the nature of other processing companies' opposition, though several firms' officers noted that they were not opposed to the idea of helping the agricultural industry. The state took testimony in person and by letter from businesses opposed to the way these zones were being used, but plowed ahead anyway.

All of this might be tolerable if state officials could prove that renaissance zones actually produce a positive net benefit to the economy. But the literature on the subject is very clear: Enterprise zones have little measurable impact on economic growth and employment — but they do have huge costs.

Nationwide, research indicates that enterprise zones have had a negligible impact on economic growth and development. Professors Thomas Lambert and Paul Coomes of Spalding University and the University of Louisville, respectively, studied one of the nation's oldest and biggest enterprise zones in Louisville, Ky., and used "many measures to try and give the program every chance of success." Yet the evidence, published last May, showed that after 14 years "it is difficult to document that this program has been effective."

Other studies concur. In their paper, "Enterprise Zones and Local Employment: Evidence from the States Programs," published in Regional Science and Urban Economics, Daniele Bondonio and John Engberg found "zero impact" on local employment from enterprise zones and that "the level of the monetary value of the incentives awarded to zone businesses does not noticeably contribute toward enhancing the impact on local employment."[26] Fortunately, the legislation for agricultural processing zones was sunset for the end of 2002 and the state can no longer use this particular device for agricultural economic development.

(For more on this subject, see "Make Michigan One Big Renaissance Zone," in the Summer 2002 Michigan Privatization Report.[27]) **Savings: $742,400.**

Export Market Development Program: This program is similar to the marketing line item above, with an international application. In a time of fiscal crisis, should the state of Michigan subsidize dried fruit seminars in Taiwan? Promote dried blueberries in Japan? Should it market pickles in Korea, apples in Israel, and cherries in Germany? Past MDA grants have also been used to help "develop bakery recipes that utilize processed cranberry products."[28] Indeed, should the state do these things at *any* time? The case that it should is an extremely weak one.

In February 2002, the MDA gave a $5,950 grant to the Michigan Food Processors Association so its members could attend a food show in Canada.[29] In March, a delegation from the Michigan Potato Industry Commission flew to tropical Costa Rica with the help of a $5,600 MDA grant.[30] The goal? To educate Costa Rican snack processors on the use of Michigan potatoes in their respective businesses.

A review of the commission's spending indicates part of its grant was spent before and after the trip on meals at the Budweiser Brew House in Detroit and at a Bob Evans restaurant in Romulus. These are particularly troubling uses of grant funds. Even if subsidizing this travel were a legitimate function of the state, is it not fair to assume that commission members would have eaten something, and paid for it themselves?

These are just a few examples of how Michigan subsidizes the international marketing efforts of private business. For-profit businesses should be required pay for their own marketing efforts. It is a basic issue of fairness. Most business owners do not receive state help marketing their own businesses yet they are forced to pay taxes to support those who do. **Savings: $100,000.**

Food Bank Council: This appropriation provides a General Fund/General Purpose subsidy to the Food Bank Council of Michigan for handling items donated for charity. The Food Bank Council of Michigan is a private, nonprofit charity that is comprised of 10 smaller food banks in the Great Lakes State. Each bank provides food and funds to low-income people through 2,500 charities.[31] This is a seemingly kind, but unnecessary, state appropriation. Europe, America, and Michigan have a long and generous tradition of private charity. If the state took less money from taxpayers, private citizens would have more to give to private food banks and similar organizations, voluntarily.

Michigan's "Harvest Gathering" program is a good example of how the private sector can contribute to citizens' hunger problems. Harvest Gathering is a private, nonprofit foundation founded by then-MDA director Bill Schuette in 1990. Schuette and other state officials used their high-profile positions to help raise private funds and food for Michigan families. Last year alone, Harvest Gathering collected and redistributed 650,000 pounds of food at 100 locations across all 83 counties in Michigan. **Savings: $487,400.**

Southwest Michigan Tourist Council: This line item also markets Michigan agricultural products, but only in southwest Michigan. One marketing tool the council uses to get its message out is color brochures, featuring dates and locations for fairs and festivals in southwest Michigan. Another technique used by the council is to hand out Michigan agricultural products free of charge at the New Buffalo Welcome Center in New Buffalo. The state maintains a variety of lavatories for Michigan travelers and one is in New Buffalo. The Southwest Michigan Tourist Council uses money from this line item to buy products — such as strawberries and asparagus — and distribute them *gratis* on Saturdays to travelers who have stopped at the center. During the fall and winter the Council gives away Christmas tree corsages. **Savings: $60,400.**

Future Farmers of America: This line item subsidizes the Michigan chapter of the Future Farmers of America. Future Farmers of America is a private, nonprofit organization whose mission is to make a "positive difference in the lives of students by developing their potential for premier leadership, personal growth and career success through agricultural education."[32] The state should no more appropriate funds for this organization than it should for future economists, accountants, or computer scientists of America. To subsidize one career choice over others, the state effectively gives its blessing to a single job category as if farming is more important than other work choices. Government should be neutral with respect to how free young men and women choose their occupations. In addition, career opportunities are of sufficient importance that young people have every incentive to find career information without government involvement. **Savings: $60,000.**

VI. Fairs and Expositions

Program: Fairs and Expositions (Section 110)

Appropriation:	All from Special Revenue Funds:	$20,192,300
	Total:	$20,192,300[33]

Program Description:
The Michigan state budget contains 20 separate line items under Section 110 ("Fairs and Expositions") in the MDA budget, denoting exactly where this $20 million is spent. Expenditures in this area include money to state fair operations, prize money for fair contests, and "purses" for horse racing victories.

Recommended Action:
Section 110 should be eliminated from the state budget entirely. The following is a list and description of each line item.

Michigan State Fair: The official fair of the state of Michigan was the first of its kind in the nation. It was originally held in a different city each year, but since 1905, has been located at the corner of Eight Mile and Woodward in Detroit. Its 2003 appropriation is $5,110,200.[34] Most of the revenue for the state fair is generated by ticket sales, but that has not always been the case. From 1970 to 1995, for example, the fair lost an average of $2 million annually,[35] which the Legislature ultimately subsidized with additional appropriations. From 1995 to 2002, fair attendance and revenue improved, but not by much. In 2002, the fair eked out a $28,000 profit.[36] This is not a cause for celebration, however. Due to the collapse of a lease arrangement between the state, fair officials, and a private developer, the cost of maintaining the fairgrounds will increase by about $900,000 in 2003, excluding necessary capital improvement costs. The state should remove itself from fair operations entirely and sell the 200 acres of state land on which it operates.

What revenue might the sale of state fairgrounds generate? It is impossible to tell precisely without actually selling the land. Still, a general idea of possible sales prices can be formed by extrapolating data from the offers made on properties adjacent to the fairgrounds. In April 2000, developer Joseph Nederlander agreed to purchase 36 acres of government-owned land adjacent to the state fairgrounds in Detroit for $6.1 million. Before the deal was legally finalized, Nederlander sold it to another developer, Bernie Schrott, for $10.5 million. While both of these deals ultimately fell through, they still give an indication of what the 36 acres might sell for. What if the parcel for sale was 5.5 times larger, as is the fairgrounds? The potential for $57 million in one-time revenue makes the sale of the fair land and its buildings worth exploring. **Savings: $5,110,200.**

Upper Peninsula State Fair: The Upper Peninsula (U.P.) State Fair, located in Escanaba, was not created by the Legislature until 1927. Its 2003 appropriation is $1,214,400.[37] During the last fiscal year it required a General Fund/General Purpose subsidy of $177,900 in fiscal year 2001 to pay its bills.

The state of Michigan should remove itself from U.P. state fair activities entirely, and the 100 acres of state-owned land on which this fair operates should be sold. That's because, as with other forms of private entertainment, state fairs should sink or swim on their own merit. If there is demand for these summer festivals, the people who value them the most will be willing to fund and operate them without state influence. Even if the state were to remove itself from fair involvement, it would hardly result in a dearth of fair fun. Seven Michigan counties and another 80 communities and associations run their own fairs, too.[38] Ottawa County alone has three different community fairs. Barry County's Bill Ackerman has run a private, for-profit fair for 24 years. The "Prairieville Old Fashioned Farm Days Show Grounds" plays host to fair events every August. Animals are on display for show and racing; there are craft shows, dancing, live country music, cow-chip golf ball driving contests, and a "National Truck Pull" competition. It is situated on 140 acres of land owned by Ackerman. His fair is so popular it often fills the 3,000-space camping area set aside by Ackerman for overnight guests.

The sale of the U.P. land would generate dramatically less revenue than the state fairgrounds in Detroit, given the abundant supply of undeveloped land in and around Escanaba. According to Kevin Dubord, assistant assessor for the city of Escanaba, land adjacent to the fair sold two years ago to Gordon Foods Inc. for $2,000 per lineal foot of street frontage. That is, it cost $2,000 for every one of the 250 feet of land available along North Lincoln Road, on which the Gordon Foods property, and the fair, are located. At $2,000 per lineal foot, the UP fairgrounds might fetch $2,600,000.[39] **Savings: $1,214,400.**

Other Line Items under Fairs and Expositions: In early 2002, Gov. Engler used his veto pen to remove most of the following expenditures from the state budget because of a disagreement over the sizes and source of the appropriations. On Sept. 17, 2002, he asked the Legislature to reinstate the funding at the levels he originally requested. After some haggling, the funding was reinstated.

Fairs and Racing: This line item funds five full-time state employees to "oversee" other fairs, particularly with respect to how state "premiums" are used (see "Premiums — County and State Fairs," below). It also provides assistance to county and community fairs. According to MDA Horse Racing Analyst Bob Woodman, state employees advise fairs on how to maintain records and help them "keep business."[40] They also administer "Michigan Bred" programs that are funded for pari-mutuel breeding programs (see "Standardbred Sire Stakes" and "Standardbred Breeders' Awards," below, for more information).

The Michigan Bred program is sold as a way to improve Michigan horse racing by helping to subsidize Michigan "winners." The truth is that it may actually harm Michigan's racing industry by excluding superior racing bloodlines from outside Michigan borders. It is not illegal to breed a Michigan horse with one from Kentucky, but doing so may exclude the owners of champion horses from collecting larger purses. **Savings: $612,500.**

Building and Track Improvement - County and State Fairs: This is a line item to help improve the racing tracks or buildings and grounds at Michigan fairgrounds. **Savings: $963,200.**

Premiums — County and State Fairs: "Premiums" are generally used as award monies to children who win prizes for such things as raising the best livestock, having the best crafts, or winning the "antique tractor pull" contest, to name just a few examples. **Savings: $1,614,000.**

Purses and Supplements - Fairs and Licensed Tracks: According to Michigan Deputy Racing Commissioner James Bowes, this line item enlarges the potential winnings for horse owners who enter their animals in races around Michigan. This is designed to improve the number and quality of races by providing a greater incentive for horse owners to run their animals at Michigan racetracks. **Savings: $2,969,000.**

Standardbred Fedele Fauri Futurity: This line item reflects money that is appropriated to subsidize a particular race, known as the "Fedele Fauri Futurity," at just one fair, the Kinross Fair in the Upper Peninsula, just outside of Sault Ste. Marie. **Savings: $98,400.**

Standardbred Michigan Futurity: This line item is also appropriated to subsidize a specific "harness" race, which was held at Mecosta County Fair in Big Rapids in 2002. Harness racing involves jockeys being pulled by horses on two-wheel carts. **Savings: $98,400.**

Quarterhorse Programs: A "Quarterhorse" is a specific breed that is raced in Michigan in "flat back" style (that is, without a harness and carriage to pull). The appropriation is used to subsidize the award for winners. **Savings: $48,300.**

Quarterhorse Programs Breeders' Awards: Breeders' awards are granted to Michigan owners of horses whose offspring go on to win a race in Michigan. **Savings: $5,000.**

Licensed Tracks - Light Horse Racing: This program supplements winning purses for the owners of horses that are four years old. It is essentially an age-specific category. **Savings: $93,500.**

Standardbred Breeders' Awards: Breeders' awards are granted to Michigan owners of horses whose offspring go on to win a race in Michigan. **Savings: $1,503,200.**

Standardbred Purses and Supplements - Licensed Tracks: The state adds supplements to winning purses to increase the incentive for Michigan standardbred owners to enter their horses and compete. This line item is similar to the purses and supplements for fairs and licensed tracks, listed above. **Savings: $336,700.**

Standardbred Sire Stakes: This appropriation subsidizes the purse of a race run annually and by a specific breed of horse that is also sired in Michigan. The finals have been held at Hazel Park Raceway the last two years. **Savings: $1,259,400.**

Thoroughbred Sire Stakes: This is a specific race at Great Lakes Downs in Muskegon run by a specific breed of horse that is also sired in Michigan. **Savings: $1,259,400.**

Standardbred Training and Stabling: This line subsidizes fairgrounds that provide stables and training tracks for standardbred horses. **Savings: $53,200.**

Thoroughbred Program: This is a fairly sweeping program that encompasses various purses and awards for owners of Michigan bred horses. **Savings: $2,203,900.**

Thoroughbred owners' awards: This program supplements winning purses for horse owners whose thoroughbreds are Michigan bred and obtain a certain amount of points based on their year-long racing performance. **Savings: $189,600.**

Distribution of Outstanding Winning Tickets: Every year a percentage of winning tickets from horse bets goes uncollected. Money that would have been collected is now divided between the owners of racing tracks and the owners of the horses involved in each race. Rather than appearing under "Fairs and Expositions" in the MDA budget, this appropriation could accrue to, and be distributed by, the Michigan Gaming Office.[41] **Transfer: $500,000.**

VII. Office of Racing Commissioner

Program: Office of racing commissioner

Appropriation:	All from Special Revenue Funds:	$3,747,700
	Total:	$3,747,700[42]

Program Description:
The Office of Racing Commissioner (ORC) regulates and markets Michigan's horse racing industry. Its duties include assigning race dates for tracks, hiring stewards and veterinarians, and investigating irregularities in racing.[43] It also coordinated the annual "Michigan Equestrian Princess Pageant." The pageant helped winnow a list of competitors from whom a young woman was chosen as princess.[44] The 2002 Equestrian Princess is Laura Kendrick of Marysville. She and other competitors helped with the 2002 annual "Michigan Horse of the Year Ball" at the Kellogg Center in Lansing. The Commission spent about $10,000 from its promotional budget on the latter events.[45]

Recommended Action:
The office could be eliminated and several of its most vital functions transferred to other departments. Duties to be eliminated include any marketing-related activity, such as involvement with pageants. The office also issues racing schedules, appoints veterinarians, and grants approval of track officials; these functions also could be handled by the industry. (Organizing schedules, hiring doctors and trainers, and approving facilities for competition are all matters routinely handled by private sports groups, including the national leagues of hockey, football, basketball and baseball.)

If the state must be involved in the gaming business, then all other ORC matters, such as occupational licensure, tax and license revenue collection, and all matters involving fraud or any other irregularity, logically could be handled by the already existing Michigan Gaming Commission, not the MDA. **Savings: $3,747,700.**

[1] Act No. 516, Public Acts of 2002, p. 2.
[2] Michigan Department of Agriculture, "Roles, Mission, and Guiding Principles," accessible on the Internet at http://www.michigan.gov/mda/0,1607,7-125-1572-7773--,00.html.
[3] Act No. 516, p. 2.
[4] Ibid.
[5] Ibid.
[6] Ibid.
[7] Tim Aben and Julie Stapelman, "Line Item and Boilerplate Summary," p. 4. Lansing: House Fiscal Agency, January 2002.
[8] Aaron Steelman and Joseph P. Overton, excerpted from "Advancing Civil Society: A State Budget to Strengthen Michigan Culture," April 1996, p. 9.
[9] Act No. 516, p. 3.
[10] Act No. 144, Public Acts of 2002, p. 2.
[11] Act No. 516, p. 3.
[12] Ibid.
[13] Michigan Department of Agriculture, "Migrant Labor Housing Program, FY 2001 Annual Report," p. 1.
[14] Accessible on the Internet at http://www.mackinac.org/3161.
[15] Act No. 516, p. 3.
[16] Telephone interview of Dan Wyant, director of Michigan Department of Agriculture, by Mackinac Center for Public Policy Director of Fiscal Policy, Michael LaFaive, Dec. 17, 2002.
[17] Act No. 516, p. 3.
[18] Aben and Stapelman, p. 16.
[19] Steelman and Overton, p. 93.
[20] Act No. 516, p. 4.
[21] Aben and Stapelman, p. 18.
[22] Ibid.
[23] Ibid.
[24] Michigan Department of Agriculture, Agriculture Development Division, "Inter-Office Purchases & Services Requisition," Sept. 24, 2002.
[25] Ibid.
[26] Michael LaFaive, "Make Michigan One Big Renaissance Zone," Michigan Privatization Report, summer 2002, p. 5. Accessible on the Internet at http://www.mackinac.org/4473.
[27] Ibid.
[28] Michigan Department of Agriculture, "Summary of 2002 Export Grants," obtained through Freedom of Information Act in October 2002.
[29] Ibid.
[30] Letter to Paul Burke of the Michigan Department of Agriculture from the Michigan Potato Industry Commission, Sept. 20, 2002.
[31] Food Bank Council of Michigan, "Who We Are," accessible on the Internet at http://www.fbcmich.org.
[32] Future Farmers of America, "FFA Mission and Strategies," accessible on the Internet at http://www.ffa.org/about_ffa/organization/html/mission.html.
[33] Act No. 516, p. 4. A $60,000 line item for fairs and festivals promotion was vetoed by Gov. Engler in July, 2002. The item was not subtracted from the total to ensure that the Gross Appropriation, above, would match the MDA budget, Act No. 516. Doing so would reduce the Mackinac Center's projected savings by $60,000.
[34] Ibid.
[35] Gary Heinlein, "Fair's low turnout puts it in jeopardy," The Detroit News, Sept. 22, 2002. Accessible on the Internet at http://www.detnews.com/2002/metro/0209/22/c01-593735.htm.
[36] "State Fair Succeeds Again," The Detroit News, Oct. 21, 2002. Accessible on the Internet at http://www.detnews.com/2002/editorial/0210/21/a08-617449.htm.
[37] Act No. 516, p. 4.
[38] Telephone interview of Barb Hensinger, director of fairs, racing and expositions, Michigan Department of Agriculture by Mackinac Center for Public Policy Director of Fiscal Policy Michael LaFaive, Sept. 17, 2002.
[39] Telephone interview of Kevin Dubord, assistant assessor, by Mackinac Center for Public Policy Director of Fiscal Policy Michael LaFaive, Sept. 30, 2002.

[40] Author interview with Bill Woodman, horse-racing analyst, Fairs and Racing Division, Michigan Department of Agriculture, Sept. 23, 2002.
[41] Ibid., Interview with Barb Hensinger.
[42] Act No. 516, p. 5.
[43] Aben and Stapelman p. 24.
[44] Press release, Michigan Office of Racing Commissioner, "Racing Commissioner Announces Michigan Equestrian Princess Pageant," June 7, 2002. Accessible on the Internet at http://www.michigan.gov/documents/MDA_PRINCESSrelease_6144_7.pdf.
[45] In a Jan. 17, 2003 interview with Office of Racing Commissioner Robert Geake, author Michael LaFaive was told that the Equestrian Princess Pageant had been eliminated. No documentation was provided.
[46] Act No. 516, p. 4.

Attorney General

Appropriations Summary	Actual[1]	Recommended	Savings
Interdepartmental Grant	$ 9,917,900	$ 9,917,900	$ 0
Federal Revenues	$ 7,672,700	$ 7,672,700	$ 0
General Fund/General Purpose	$33,767,600	$33,767,600	$ 0
Special Revenue Funds	$10,399,400	$10,399,400	$ 0
Gross Appropriations	**$61,757,600**	**$61,757,600**	**$ 0**

The Michigan Department of Attorney General is established under Article V, Executive Branch of the Constitution of the state of Michigan of 1963. The principal duties of the Attorney General include acting as legal counsel to all state departments, agencies, boards, commissions, officers and employees, and the state Legislature, and intervening in litigation when the public interest is involved.

The Michigan Department of Attorney General is a necessary and appropriate function of state government. We recommend no cuts in the Attorney General budget at this time.

[1] Act No. 528, Public Acts of 2002, p. 2.

Department of Career Development

Appropriations Summary	**Actual**[1]	**Recommended**	**Savings**
Interdepartmental Grants/Transfers	$ 0	$0	$ 0
Federal Funds	$406,469,200	$0	$406,520,100
General Fund/General Purpose	$ 27,307,700	$0	$ 26,069,700
Special Revenue Funds	$ 26,069,700	$0	$ 27,256,800
Gross Appropriation	**$459,846,600**	**$0**	**$459,846,600**

The Michigan Department of Career Development (MDCD) is the outgrowth of an initiative by then-Gov. John Engler (Executive Order 1999-1) to split the former Michigan Jobs Commission into two parts. One part became the MDCD, and the other part became the Michigan Economic Development Corporation (MEDC). The MDCD concentrates on delivering federally sponsored job training and placement services, and MEDC is the state's chief dispenser of corporate welfare and "economic development" programs.

The mission of the MDCD, according to its 2001 annual report, is "to continuously improve the Career Development System [to] produce a workforce with the required skills to maintain and enhance Michigan's economy." Then-Gov. Engler preferred to see the department "focus solely on workforce issues;" however, his Director of department, Barbara Bolin, pressed for an expanded mission "to increase education and technical skills for career placement or advancement," and … "to provide services, build partnerships and coordinate efforts" with the business community.[2]

The MDCD is a coordinating bureaucracy that simply manages workforce programs. The department is funded largely by the federal government, which provides 88 percent of its operating money.

In 1998, Congress passed the Workforce Investment Act of 1998 (WIA). Congress intended this legislation to "integrate and streamline services," as well as encourage "informed consumer choice regarding career development, universal access to government employment and training services, more systematic accountability, performance-based management; strong local governance of employment-related government services, active private sector participation, and increased labor market responsiveness at state and local levels."[3]

WIA consolidated 17 separate federal programs to coordinate and control employment and training through a mandatory, national system of local one-stop career centers (in Michigan they are known as Michigan Works! Service Centers, or "one-stops") and regional and state workforce development boards (in Michigan the board is known as the Michigan Works! Association), all reporting to the U.S. Secretary of Labor.

Prior to WIA, federal workforce programs such as job training and education fell under the federal government's Job Training Partnership Act of 1982 (JTPA). Through the 1970s and early 1980s JTPA had become the largest job-training program in the country. But WIA dramatically expanded employment services coverage areas, and at the same time began to displace private labor market activities previously served by the private staffing services industry. In effect, WIA introduced a new personal entitlement into the national workforce system: adult job placement for the currently employed. No longer did recipients have to be unemployed to received services.

However, the state of Michigan is not required under the normal administration of American federalism to implement the federal statutes, including the Workforce Investment Act. This state power was reinforced by the U.S. Supreme Court's New York decision in 1994.[4] The state of Michigan should refuse to accept federal funding for the programs operated by the MDCD and shut down the MDCD and eliminate all the programs run through it.

Last Fall, in preparation for the Congressional reauthorization of the Federal Workforce Investment Act former Director Bolin recommended an expansion of MDCD functions, and requested an expansion of federal financing of the Michigan workforce system.[5]

Instead of a call for more federal funding, Gov. Granholm and her new appointee should use this opportunity to call for an end to federal intervention in job training and employment.

As demonstrated below, nearly every program provides services that duplicate, and often interfere with, private sector providers of identical or superior services. Programs that are not duplicative are capable of being provided by local community associations or businesses. Although labor markets, like government planners, are imperfect, they have been operating efficiently since long before governments began providing job searches and training for Michigan citizens, and will continue to do so in the absence of this department. (For more information on refusing federal funds, see Appendix I.)

I. Departmental Administration

Program: Departmental administration

Appropriation:	All from GF/GP:	$506,800
	Total:	$506,800[6]

Program Description:
This appropriation funds the salaries and benefits of 6 "unclassified" employees, all of which are appointed by the governor. The department's administration handles administrative, financial management, and policy planning for MDCD; it does not directly deliver any services.

Recommended Action:
This function could be eliminated with the rest of the department. **Savings: $506,800.**

II. Departmental Operations

Program: Department operations

Appropriation:	Federal Funds:	$5,371,900
	Special Revenue Funds:	$ 636,100
	GF/GP:	$2,387,400
	Total:	$8,395,400[7]

Program Description:
This appropriation funds support services for the department including budgeting, human resource needs, and grant management, and expenditures made for building occupancy.

Recommended Action:
This function should be eliminated with the rest of the department. **Savings: $8,395,400.**

III. Workforce Development

Program: Employment placement and training services

Appropriation:	Federal Funds:	$58,111,900
	Special Revenue Funds:	$ 4,811,500
	GF/GP:	$ 7,913,100
	Total:	$70,836,500[9]

Program Description:
This appropriation funds a large array of programs financed primarily by the federal Workforce Investment Act of 1998, the Wagner-Peyser Act of 1933, and the Carl D. Perkins Vocational and Technical Education Act, as well as by funding from the U.S. Departments of Education and Agriculture.

Workforce Investment Board. (WIB) After the federal Workforce Investment Act took effect in July 1999, the governor's Workforce Commission assumed the role of advice, oversight, and research.[10] In March 2002, a state Workforce Investment Board replaced the commission; the WIB which more closely met the requirements of WIA.[11] The WIB oversees the statewide "career development system,"[12] which includes the programs described below. We recommend that the Workforce Investment Board be eliminated.

Michigan Works! Association. The Michigan Works Association offers policy guidance to the Michigan workforce development system. This body is a holdover from the federal Job Training Partnership Act, and attendant Private Industry Councils established at the local and regional levels.

The Michigan Works! Association has assumed the lead role in planning the workforce system over the years. It sets the direction for Michigan's regional "Michigan Works! Agencies" (also known as "regional workforce development boards"). In effect, the Michigan Works! Association directs how the local workforce development officials should carry out implementation activities pursuant to the Workforce Investment Act.

Michigan Works! Agencies (MWAs). There are 25 MWAs in Michigan. These agencies are required under the terms of WIA (Title 1) if the state wishes to accept federal funding. MWAs plan services for the unemployed, as well as for employed adult workers, disabled workers, young people, and poor, divorced or widowed older female homemakers without children, often called "dislocated homemakers." Some agencies serve several counties while others may just serve just one. These agencies do not provide local or regional services directly. The services are provided through Michigan's 104 Michigan Works! Service Centers, or "one-stops."

Michigan Works! Service Centers. There are 104 one-stops or Michigan Works Service Center across the state, all governed by MWAs. These one-stops provide the federal government's workforce development services, and offer three basic services: 1) "core services" (e.g. job search and placement services for all adult worker applicants, as well as the unemployed "dislocated workers"); 2) "intensive services" (intensive counseling, case management for those who cannot get new jobs on the first round of core services), and 3) "training" (in-depth occupational training, skill and job upgrading for those unable to get jobs as a result of intensive services).

Michigan Works! Service Centers effectively duplicate services already provided by the private sector, either by the private staffing services industry or nonprofit organizations, and thus create unfair, subsidized competition against the private sector. Some Michigan Works! Agencies and their one-stops have engaged in very aggressive, anti-competitive behavior by giving away their services "for free;" that is, by providing recruiting and placement services to large corporations at no charge.[13]

All 25 Michigan Works! Agencies and their 104 Michigan Works! Service Centers should be eliminated. They operate in direct and unfair competition with Michigan's private staffing services industry and serve no unique purpose.

Michigan Rehabilitation Services. This item is found within the Employment Training Services program. It provides administration funding for the Michigan Rehabilitation Services program, which is addressed below. It should be eliminated with the rest of the MDCD.

Michigan Community Service Commission (MCSC). This appropriation funds administration of the MCSC. The MCSC coordinates and markets volunteerism in Michigan. Ironically, nearly all the funding for a commission dedicated to voluntary association is funded by involuntary tax revenue. Ninety percent of the MCSC's 2002 and 2003 funding of approximately $8.5 million is derived from federal and state taxation.[14] The commission was created in 1991 and has redistributed more than $40 million to organizations that work to "engage thousands of Michigan citizens in volunteer service."[15] Government-directed, involuntarily funded "volunteerism" actually harms the charitable ethic of our state by making organizations dependent on government funding rather than true community support and voluntary involvement. It creates the false impression that civic institutions need government support and direction. Administrative support for this program should be eliminated with the MCSC itself.

Recommended Action:
As described above, the Employment Placement and Training Services appropriation funds programs that either duplicate the services provided by, and in many cases actually harm, private for-profit and nonprofit organizations. These programs should be eliminated. **Savings: $70,836,500.**

Program: Michigan career and technical institute

Appropriation:	Federal Funds:	$ 8,152,800
	Special Revenue Funds:	$ 1,693,600
	GF/GP:	$ 1,147,200
	Total:	$10,993,600[16]

Program Description:
This appropriation funds the Michigan Career and Technical Institute (MCTI), whose mission, according to the MCTI web site, is "to provide technical training and support services to prepare Michigan residents with disabilities for employment in today's competitive job market."[17]

Recommended Action:
This program should be eliminated. Like many other programs it is well intentioned and addresses an important need. These services, however, are best provided and funded by local community organizations and businesses, not the federal or state government. Recycling community funds through expensive and bureaucratic state and federal programs, returning a portion back to the community with strings attached, crowds out the private, nonprofit and for-profit efforts. Many fine private organizations are working today to meet this need. Indeed, persons with disabilities are often sought by firms for their skills, and for the good public relations that can result from employing disabled citizens. The MCTI web site, "www.abletowork.org" even provides a link to a consortium of Fortune 1000 companies that are voluntarily facilitating their own hiring and training of the disabled. **Savings: $10,993,600.**

IV. Career Education Programs

Program: Career and technical education

Appropriation:	Federal Funds:	$2,804,400
	GF/GP:	$ 689,900
	Total:	$3,494,300[18]

Program Description:
This appropriation funds the staff that oversees vocational-technological education programs at high schools and other centers operating in concert with community college programs. It also administers federal grants as well as develops and implements new programs.

Program Recommendation:
Oversight and coordination of vocational and technical education programs should be provided by the organizations and individuals involved without state involvement. These organizations are best equipped to determine the amount of resources to be applied to these functions verse actual instruction. This program could be eliminated. **Savings: $3,494,300.**

Program: Postsecondary education

Appropriation:	Federal Funds:	$1,332,400
	Special Revenue Funds:	$ 478,900
	GF/GP:	$ 679,000
	Total:	$2,490,300[19]

Program Description:
This appropriation funds state administrative oversight of five initiatives. They are 1) Community Colleges Services; 2) King-Chavez-Parks Initiative; 3) Proprietary Schools; 4) Veterans Education; and 5) Educational Corporations.

Program Recommendation:
Transfer these programs to higher education. The King-Chavez-Parks initiative will be addressed in greater detail in the higher education section of this study. **Transfer: $2,490,300.**

Program: Adult education

Appropriation:	Federal Funds:	$1,971,600
	GF/GP:	$ 208,400
	Total:	$2,180,000[20]

Program Description:
This appropriation funds the administration of several state and federal adult education programs in Michigan.

Recommended Action:
This program should be eliminated along with state adult education programs. Please see "Adult Basic Education" in the following section, "Department Grants," for the rationale. **Savings: $2,180,000.**

Program: Commission on Spanish Speaking Affairs

Appropriation:	All from GF/GP:	$220,500
	Total:	$220,500[21]

Program Description:
This appropriation funds the commission, which was created in 1975 to "assist Michigan's Spanish-speaking citizens in areas such as education, employment, civil rights, health and housing."[22]

Recommended Action:
This commission and its funding should be eliminated. Although there is no doubt that Spanish-speaking citizens benefit from such assistance, the same is true of virtually every other non-English-speaking ethnic group in Michigan. This type of assistance is best provided and funded by local community organizations and ethnic associations. Civil rights violations should be addressed by the Department of Civil Rights. **Savings: $220,500.**

V. Department Grants

Program(s): Department grants

Appropriation:	Federal Funds:	$279,012,700
	Special Revenue Funds:	$ 12,515,700

GF/GP:	$ 14,426,600
Total:	$305,955,000[23]

Program Description:
This appropriation funds grants to various charitable, educational, and welfare-to-work programs. The following is a list of those programs, a brief description, and the amount that could be saved by eliminating the program.

Adult Basic Education. This program is designed to teach basic math, literacy and English as a second language to Michigan adults. This line item is but one of several appropriations designed to help adults achieve rudimentary literacy skills. Like many other programs, adult education is well intentioned and needed.[24] This service, however, is best provided and funded by local community organizations and businesses, not state or federal government. State and federal mismanagement of K-12 education is a primary reason that so many adults require remedial education or skill enhancement; more state and federal intervention is a poor solution. High schools should guarantee their diplomas and provide remedial education free of charge to those who graduate without basic skills. There are also many for-profit and nonprofit organizations providing a vast array of basic and advanced training, and adults have sufficient incentives to seek them out when necessary. This line item is part of the Workforce Investment Act, described above, and should be eliminated. **Savings: $13,500,000.**

Council of Michigan Foundations. The Council of Michigan Foundations is a nonprofit organization located in Grand Haven. Its mission is to assist philanthropists, corporations, and non-profits in their charitable work. The Council has more than 400 members. This appropriation is funded solely through money derived from the lawsuit settlement between the U.S. government and the major tobacco companies, and is used for initiatives related to senior and youth health. The work of charities is best undertaken with voluntary charitable contributions, not government funding. These funds should be redirected to the General Fund/General Purpose budget to support core governmental functions. **Savings: $3,000,000.**

Focus: HOPE. Focus: HOPE is a well known, Detroit-area civil- and human- rights organization that is dedicated to improving humanity through multi-cultural charitable and education programs. It charges nominal fees for some of its work and uses its MDCD grant for job training. There is no reason to believe that this exemplary organization, and others like it, would not succeed without government subsidies. The majority of Focus: HOPE's revenue comes from private sources, as does that of countless religious organizations that provide job training and education as part of their own social services network. This appropriation should be eliminated. **Savings: $5,744,300.**

Gear-up program grants. The Gear-up program was established in 1998 to help increase the number of low-income students who are ready to enter college each year. Children from three school districts will work in partnership with scholars at Central Michigan University to improve their pre-college knowledge. Special programs to prepare and motivate low-income students to pursue undergraduate degrees are well intentioned and needed, but should be funded and provided by private charitable organizations, businesses and individuals. Many such programs already exist, and should not be forced to compete with the government for funding. **Savings: $3,000,000.**

Job training programs sub-grantees. These grants support the work of Michigan's 25 Michigan Works! Agencies, which are described above. The line item is part of the WIA program. **Savings: $98,802,700.**

Michigan Community Service Commission sub-grantees. Sub-grantees are organizations that receive government grants to help foster volunteerism in Michigan. The work of the MCSC, and the reason it should be eliminated, is described in "Workforce Development" (section III above), under the program "employment training services." **Savings: $6,757,300.**

Personal assistance services. This appropriation funds personal assistance for people with disabilities at their place of work. As with other social service programs, the intention of this program is laudable. Such services, however, should be provided and funded by private charitable organizations, businesses, and individuals, preferably community-based programs, which best understand local needs. **Savings: $462,000.**

Pre-college programs in engineering and the sciences. This appropriation funds the Detroit and Grand Rapids area Pre-College Engineering programs, which are designed to prepare and motivate students to pursue degrees in engineering or the sciences. Assistance, however, should be provided by private, charitable organizations, businesses, and individuals, preferably community-based programs which best understand local needs. Kettering University runs such programs and does so without state aid. **Savings: $940,200.**

Supported employment grants. The appropriation funds employment grants designed to help individuals with disabilities obtain work with the help of job "coaches" in their respective communities. As with other social services described in this and other chapters, these services need not be provided by government. **Savings: $1,441,300.**

Technology assistance grants. This appropriation funds the state program "Tech 2000," which helps local communities obtain high-technology equipment for job training. If it is necessary, this service should be provided and funded by private charitable organizations, businesses, and individuals, preferably community-based programs, which best understand local needs. Many organizations and businesses, both for-profit and nonprofit, already provide a panoply of job training programs. **Savings: $1,378,700.**

Carl D. Perkins Grants. These federal grants help fund new curriculum development, professional development for teachers, and help create relationships between vocational-technology programs and educators throughout Michigan high schools and community colleges. This program attempts to assist students in obtaining vocational-education training. Federal intervention has eroded the historic and effective role of labor unions and companies in vocational training, The state of Michigan could call upon the federal government to end its involvement in these programs and eliminate this appropriation. (For information on refusing federal funds, see Appendix I.) Institutions of civil society have been providing vocational training without government aid for years. For example, the Ford Corporation and the U.A.W. run a joint apprenticeship program in New Boston that has helped 30,000 hourly employees earn credentials as tradesman since 1941. Programs such as this have been very effective, and cost-free to taxpayers. **Savings: $42,500,000.**

Vocational rehabilitation client services/facilities. This appropriation funds rehabilitation and independent living services for workers with disabilities. As discussed elsewhere in this report, job training or retraining is fundamentally the responsibility of employers, employees, and private organizations — not the state or federal governments. **Savings: $51,339,200.**

Vocational rehabilitation independent living. This appropriation funds 10 Centers for Independent Living in Michigan. These centers work to provide services and resources for people with disabilities. As with the two line items directly above, there is no question that disabled individuals require assistance in learning certain skills. Such assistance should be provided and funded by private charitable organizations, businesses, and individuals — preferably community-based programs, which best understand local needs. State support for these sites should be eliminated. **Savings: $3,190,700.**

Welfare-to-work programs. Funding for this appropriation stems from the federal government's Personal Responsibility Act of 1996. The program, which is administered by the state's Michigan Works! Association, is designed to increase the ability of welfare recipients to become employed with the help of non-cash assistance, such as transportation, clothing, and medical examinations. While this system represents an improvement over the welfare system that preceded it, it still drains communities of resources, filters them through expensive state and federal bureaucracies, and returns a portion — with strings attached — to local communities. As a first step toward making sizeable reductions in Michigan's own public assistance and service programs through the Family Independence Agency, the state should refuse federal funding for this program. (For information on refusing federal funds, see Appendix I.) The federal government maintains the prerogative of running the system itself directly in Michigan if it chooses. There is no compelling reason to pass this money through the state. **Savings: $72,898,600.**

Michigan Virtual University. This program began in 1998 as a private, nonprofit institution designed to deliver online education services in Michigan. While it is technically a private institution, it was created by former Gov. Engler, and by the quasi-public Michigan Economic Development Corporation, with state resources. The state of Michigan already funds educational opportunities through K-12 schooling, community colleges and universities. Adding this marginal program is both unnecessary and unfair. Private, for-profit providers of online education services, such as the University of Phoenix, do not receive state appropriations, yet they are forced to compete with those who do. In addition, private schools such as Michigan's Baker College — as well as many public universities

— maintain an online presence as well, and business is booming. Baker currently has 2,800 students taking one or more of 278 undergraduate and post-graduate courses online. The private sector should provide all of these services free of state intrusions. **Savings: $1,000,000.**

Recommended Action: All of the programs listed above should be eliminated for the reasons provided. **Savings: $305,955,000.**

Program: Employment service agency

Appropriation:	Federal Funds:	$43,269,700
	Special Revenue Funds:	$ 5,933,900
	Total:	$49,203,600[25]

Program Description:
This appropriation funds the employment service agency. This agency maintains four program line items: Workers' compensation; building occupancy charges; employment service positions; and labor market information. Workers' compensation simply pays the premiums for insurance of the employees working in this department. The building occupancy charges represent payment for lease obligations. The employment services positions line item funds administrative staff and program support for Michigan's Michigan Works! Service Centers (described above, in section III, "Workforce Development"). The labor market information section funds staff that produce reports on statewide labor information.

Recommended Action:
All of these items should be eliminated with the rest of the department. There is no need for Workers' compensation and employment service positions for a department that no longer exists. Labor market information maintained by the state is not a necessary function of state government and most of the data provided by this service is readily available on other free web sites maintained by the federal government. **Savings: $49,203,600.**

Program: Information technology

Appropriation:	All from Federal Funds:	$6,492,700
	Total:	$6,492,700[26]

Program Description:
This appropriation funds the information technology services program for the department. This line item represents the transfer of revenues from the Michigan Department of Career Development to Michigan's Department of Information Technology as payment for technology services used by the MDCD.

Recommended Action:
This appropriation should be eliminated with the rest of the department. **Savings: $6,492,700.**

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[1] Act No. 517, Public Acts of 2002, p. 2.
[2] Michigan Department of Career Development, "Annual Report," 2001.
[3] Cynthia M. Fagnoni, "Workforce Investment Act: Implementation Status and Integration of TANF Services," testimony to the Subcommittee on Postsecondary Education, Training and Life-Long Learning of the U. S. House of Representatives Committee on Education and Workforce, and the Subcommittee on Human Resources of the House Committee on Ways and Means, GAO/T-HEHS-00-145, June. 29, 2000, p. 1; Daniel O'Shea and Christopher T. King, "The Workforce Investment Act: Restructuring Workforce Development Initiatives in States and Localities," Report # 12, Albany: Nelson A. Rockefeller Institute of Government, State University of New York, April 2001.
[4] New York v. United States, 505 U.S. 144 at 174 and 178.
[5] Michigan Department of Career Development, "State of Michigan Strategic Five-Year Workforce Investment Act Plan," http://www.michigan.gov/mdcd/0,1607,7-122--8809--,00.html Oct. 31, 2002.

[6] Act No. 517, p. 2.
[7] Ibid.
[8] Michigan Department of Career Development, "State of Michigan Strategic Five-Year Workforce Investment Act Plan," http://www.michigan.gov/mdcd/0,1607,7-122--8809--,00.html Oct. 31, 2002.
[9]Act No. 517, p. 2.
[10] Established in 1993 by Executive Order 1993-3 See http://www.michigan.gov/eMI/Portal/CDC/Components/eMI_CDA.
[11] Created by Executive Order 2002-05 by Gov. John Engler on Mar. 27, 2002.
[12] Michigan Department of Career Development web page, "Michigan's Workforce Investment Board," accessible on the Internet at http://www.michigan.gov/mdcd/0,1607,7-122-1683_18969---,00.html.
[13] Kimble F. Ainslie, "Staffing Service Industry Under Fire," Current Commentary, Mackinac Center for Public Policy, Sept. 18, 2002; http://www.mackinac.org/pubs/comments/4665.
[14] Interview between Michael LaFaive and Kyle Caldwell of the Michigan Community Service Commission, Dec. 19, 2002.
[15] Michigan Community Service Commission web site, "MCSC Mission and Vision," accessible on the Internet at http://www.michigan.gov/mcsc/0,1607,7-137-6113-20613--,00.html.
[16] Act No. 517, Public Acts of 2002, p. 2.
[17] Michigan Career Technical Institute web site, "Welcome to the Michigan Career and Technical Institute," accessible on the Internet at http://www.michigan.gov/mdcd/0,1607,7-122-1681_2913---,00.html.
[18] Act No. 517, Public Acts of 2002, p. 3.
[19] Ibid.
[20] Ibid.
[21] Ibid.
[22] Bob Schneider and Barb Endres, "Line Item and Boilerplate Summary," Career Development and Michigan Strategic Fund, fiscal year 2001-2002, Jan. 2002, p. 8.
[23] Each appropriation figure in this grant section can be found in Act No. 517, p. 3. This single endnote is used to avoid a string of Ibids created by referencing each grant entry. In addition, there exists a discrepancy between the appropriated amount listed in Act No. 517, and a newer source (Line Item and Boilerplate Summary) from the House Fiscal Agency. The Mackinac Center for Public Policy used the figure from the Line Item and Boilerplate Summary, Career Development and Strategic Fund document in this chapter.
[24] For more information on remedial education, see Jay P. Greene, Ph.D, "The Cost of Remedial Education, How Much Michigan Pays When Students Fail to Learn Basic Skills," Sept. 2000.
[25] Act No. 517, Public Acts of 2002, p. 4.
[26] Ibid.

Department of Civil Rights

Appropriations Summary	**Actual**[1]	**Recommended**	**Savings**
Interdepartmental Grants/Transfers	$ 0	$ 0	$ 0
Federal Funds	$ 934,000	$ 934,000	$ 0
General Fund/General Purpose	$13,433,700	$13,433,700	$ 0
Special Revenue Funds	$ 0	$ 0	$ 0
Gross Appropriation	**$14,367,700**	**$14,367,700**	**$ 0**

The Michigan Constitution establishes the Michigan Civil Rights Commission, and the Department of Civil Rights was established to carry out the Commission's responsibilities. According to its official web site, "The Michigan Civil Rights Commission was created by the Michigan Constitution of 1963 to carry out the guarantees against discrimination articulated in Article I, Section 2. As further stated in Article V, Section 29, the state constitution directs the Commission to investigate alleged discrimination against any person because of religion, race, color or national origin and to 'secure the equal protection of such civil rights without such discrimination.' Public Acts 453 and 220 of 1976 and subsequent amendments have added sex, age, marital status, height, weight, arrest record, and physical and mental disabilities . . ."[2]

Although the department has embarked on activities outside its narrow charter, this report does not include a detailed analysis of these operations, and therefore no program changes are recommended at this time.

[1] Act No. 528, Public Acts of 2002, p. 3.
[2] Michigan Department of Civil Rights official web site, "The Michigan Civil Rights Commission and Michigan Department of Civil Rights,"accessible on the Internet at http://www.michigan.gov/mdcr/0,1607,7-138-4951-9283--,00.html.

Department of Civil Service

Appropriations Summary	Actual[1]	Recommended	Savings
Interdepartmental Grants/Transfers	$ 5,300,000	$ 3,300,000	$2,000,000
Federal Funds	$ 4,779,100	$ 4,779,100	$ 0
General Fund/General Purpose	$10,016,900	$10,016,900	$ 0
Special Revenue Funds	$11,489,200	$ 9,971,175	$1,518,025
Gross Appropriation	**$31,585,200**	**$28,067,175**	**$3,518,025**

The Michigan Department of Civil Service (DCS) implements rules and policies determined by the Civil Service Commission (CSC), which, according to the state constitution, shall "classify all positions in the classified service according to their respective duties and responsibilities, fix rates of compensation for all classes of positions, approve or disapprove disbursements for all personal services, determine by competitive examination and performance exclusively on the basis of merit, efficiency, and fitness the qualifications of all candidates for positions in the classified service." The constitution requires the legislature to appropriate up to 1 percent of the state's payroll and benefits budget, if the Commission requests it.

I. Civil Service Operations

Program: Human resource training and development

Appropriation:	Interdepartmental Grants:	$2,000,000
	Special Revenue Funds:	$1,518,025[2]
	Total:	$3,518,025[3]

Program Description:
This appropriation funds human resource training and development programs. According to the Civil Service Commission's website: "The State of Michigan Department of Civil Service Division for Human Resource Training and Development (HRTD) provides training and development services to classified state employees. HRTD staff serve as consultants and project managers who are available to assist agencies with staff training and development." Although individuals may sign up for classes on their own, in most cases the employing department will pay for the classes.

Recommended Action:
The Legislature could eliminate centralized training and development classes for state personnel. Many of the courses offered, such as, "Seven Habits of Highly Effective People," "Writing Advantage," or "Boosting Your Creativity and Imagination,"[4] can and should be taken in the private sector by any employees wishing to upgrade their own personal and professional skills, and at their own expense. There are also thousands of inexpensive books that teach the same lessons found in these civil service courses for those people interested in such lessons. Even if every class were specifically related to job training, this need not be state funded. Employees have their own incentives — pride of work, opportunities for advancement, for instance — to constantly upgrade their job skills and do so at their own expense. **Savings: $3,518,025.**

[1] Act No. 528 of 2002, Public Acts of 2002, p. 11-12.
[2] This figure is an estimate based on database research provided by Jessica Runnels of the Michigan Senate Fiscal Agency to the Mackinac Center for Public Policy, Nov. 1, 2002.
[3] Ibid.
[4] Michigan Department of Civil Service web site, "Training Calendar," accessible on the Internet at http://www.state.mi.us/mdcs/asp/hrtdtrain/printcoursecatalog.asp.

Department of Community Health

Appropriations Summary	Actual[1]	Recommended	Savings
Interdepartmental Grants/Transfers	$ 69,172,900	$ 69,012,485	$ 160,415
Federal Funds	$5,177,291,200	$5,000,201,114	$177,090,086
General Fund/General Purpose	$2,477,706,900	$2,063,868,224	$413,838,676
Special Revenue Funds	$2,075,011,300	$2,051,139,578	$ 23,871,722
Gross Appropriation	**$9,799,182,300**	**$9,184,221,401**	**$614,960,899**

Created in 1996 by an executive order that consolidated the Departments of Mental Health and Public Health with Medicaid and the Office of Drug Control Policy, the Michigan Department of Community Health (MDCH) also incorporates the Office of Services to the Aging. It has absorbed the Adult Home Health Help Program and the Social Services to the Physically Disabled Program from the Family Independence Agency, as well as the Crime Victims Services Commission.

The Michigan Department of Community Health oversees state's healthcare policies and manages its publicly funded health systems. The department's stated mission is quite broad: it "strives for a healthier Michigan."[2] In pursuit of that goal, the department has three objectives: "Promote access to the broadest possible range of quality services and supports; take steps to prevent disease, promote wellness and improve quality of life [and] strive for the delivery of those services and supports in a fiscally prudent manner."[3]

The number and scope of government services that could be justified under the rubric of promoting wellness and improving the quality of life is limitless. It is no surprise, then, that MDCH is one of the state's largest departments. Each year, an estimated 1.5 million Michigan residents receive services that are provided with total or partial support from MDCH. Its gross appropriations for fiscal year 2003 exceed $9 billion, and it employs approximately 5,465 people, in addition to supporting additional employees in county governments.

The department provides services to Michigan citizens from before birth to death. It is time for the state to rethink this department's mission and limit state government control and funding of healthcare services.

I. Department-wide Administration

Program: Director and other unclassified departmental administration

Appropriation:		
	Federal Funds:	$ 6,303,500
	Special Revenue Funds:	$ 1,579,800
	GF/GP:	$19,667,400
	Total:	$27,550,700[4]

Program Description:
The appropriation funds administrative work by the Family Independence Agency.

Recommended Action:
With the elimination of approximately 6.3 percent of the Department of Community Health comes the ability to downsize the management of this department commensurately, producing a substantial savings of approximately $1,735,694. This is an estimate only, and a detailed analysis of the impact of programs reductions is needed to determine exact savings. **Savings: $1,735,694.**

Program: Certificate of need

Appropriation:	Interdepartmental Grants:	$101,600
	Special Revenue Funds:	$620,300
	GF/GP:	$222,900
	Total:	$944,800[5]

Program Description:
This appropriation funds the Certificate of Need (CON) program. This program is industrial policy for healthcare. Under the CON program, the state decides who may build new buildings, buy specified new pieces of equipment, or offer new and expanded medical services. For example, every healthcare facility (such as a hospital, nursing home, or outpatient surgical clinic) that wishes to increase its number of beds, buy another facility, or expand its building must get a CON certificate from the state. Under the CON program, every facility that wishes to establish a neonatal intensive care unit, purchase a magnetic resonance imaging (MRI) machine, or create an air ambulance service must petition the state and obtain permission, in writing, before proceeding. [6]

Recommended Action:
This program should be eliminated. The original idea behind CON is that it would prevent wasteful spending, but the result is that it negatively affects healthcare. It hinders hospitals' ability to operate more efficiently by using economies of scale, something common in other businesses. It also effectively sets a price limit on medical services.[7] Furthermore, there is some evidence that CON regulations increase mortality among the elderly by limiting hospitals' abilities to use new equipment.[8] The certificate of need program requires 13 administrative positions, and costs the state $944,800. **Savings: $944,800.**

Program: Rural health services

Appropriation:	Federal Funds:	$600,000
	GF/GP:	$126,000
	Total:	$726,000[9]

Program Description:
This appropriation subsidizes the Michigan Center for Rural Health. The center, based at Michigan State University, aims "To coordinate, plan, and advocate for improved health for Michigan's rural residents and communities through creative visionary education, service, and research …"[10]

Recommended Action:
This program should be eliminated. Rural residents may indeed have fewer choices in buying goods or services compared to their urban or suburban counterparts. For example, cable television service is not available in many rural areas, and world-class research hospitals typically are not located in counties whose population is under 10,000. On the other hand, rural residents may enjoy amenities not available to people who live in more densely populated areas, such as less congestion and easy access to outdoor recreation. Tradeoffs are inevitable in the choice of where to live, and the state could minimize the extent to which it shields individuals from the consequences of their own choices. **Savings: $726,000.**

Program: Michigan essential healthcare provider program

Appropriation:	Federal Funds:	$ 725,000
	Special Revenue Funds:	$ 150,000
	GF/GP:	$ 574,100
	Total:	$1,449,100[11]

Program Description:
This appropriation funds the Michigan essential healthcare provider program. The program offers up to $25,000 per year to physicians and dentists who provide medical services to areas designated as "underserved" by the medical

community for the repayment of school loans. In fiscal year 2001, the program placed 36 medical providers and 5 dentists.[12]

Recommended Action:
This appropriation should be eliminated. It is true that healthcare options — as well as many other services — are more limited in rural areas than suburban and urban areas, but this in no reason to subsidize access to health care in rural areas. The true cost of and access to healthcare services should be part of a person's or business' location decision. If shortages do exist, private groups such as medical associations and community organizations should address them independently of government. These grants perpetuate the image of rural communities as dependent on the largesse of urban and suburban residents. Doctors and dentists are important, certainly, but so are lawyers, plumbers, and hairdressers. We do not have state programs to attract other professions to rural areas, and we do not need such a program for doctors or dentists.[13] **Savings: $1,449,100.**

II. Mental Health/Substance Abuse Administration

Program: Consumer involvement program

Appropriation:	All from GF/GP:	$189,100
	Total:	$189,100[14]

Program Description:
This appropriation funds the Consumer Involvement program. This program is designed to help consumers participate in policy forums and self-help groups. It also funds a consumer "hotline."

Recommended Action:
Eliminate this program. Consumers are capable of such participation without a state program. Consumers have been buying and selling goods in the marketplace and solving consumer-related problems since long before this state program. If this service is needed it should be provided through a voluntary association. **Savings: $189,100.**

Program: Gambling addiction

Appropriation:	All from Special Revenue Funds:	$3,500,000
	Total:	$3,500,000[15]

Program Description:
This appropriation subsidizes education and research into pathological gambling, as well as for treatment and for the operation of a 24-hour "help line." The services are funded with revenue from the Michigan State Lottery, Department of Agriculture (horse racing) and by the three Detroit casinos.

Recommended Action:
The state could cease this operation entirely. Few policy issues better illustrate contradictory functions of state government than gambling. On the one hand, nearly all forms of gambling have historically been illegal, and most still are. Yet for the last 30 years the state has owned and run its own gambling operation, the state lottery, and it sanctions and profits from a growing number of casinos around the state. Now, the state both encourages gambling through the Michigan State Lottery, and also discourages it through this program. Those with gambling problems do need help, but such assistance should be provided by local community organizations. **Savings: $3,500,000.**

Program: Mental health initiatives for older persons

Appropriation:	All from GF/GP:	$1,165,800
	Total:	$1,165,800[16]

Program Description:
This appropriation funds respite care (substitute caregivers who give regular caregivers a "respite") and daycare services; it also provides training in Alzheimer's Disease and related health issues to home healthcare providers. In fiscal year 2003, $385,000 went to training, data analysis, research and technical assistance (33 percent of the total allocation) while $780,600 (67 percent) went to respite and daycare services.[17]

Recommended Action:
This program could be eliminated. Where needed, these services should be provided and funded by local community organizations. Institutions of civil society can, should be, and are providing these services. For example, the Lansing Area Parents Respite Center has compiled a guide listing numerous private and public providers of such services, and they are not the only group to do so. **Savings: $1,165,800.**

Program: Highway safety projects

Appropriation:	All from Federal Funds:	$1,837,200
	Total:	$1,837,200[18]

Program Description:
This appropriation funds state police and highway department efforts that develop and distribute pamphlets, brochures, videos, and public service announcements promoting highway safety and substance abuse prevention.

Recommended Action:
This program should be eliminated. The state already mandates a level of safe driving skills to obtain a license to operate automobiles. In addition, individuals already have an incentive to drive safely — their own health and welfare and that of their respective families.

Further, theories of risk perception suggest that people act based on their subjective perception of the risks of a given action rather than objectively stated odds. Thus, official efforts to reduce risk in one area, such as requiring seat belt usage or reducing the speed limit are usually overwhelmed by personal choices that increase risk in other areas, such as paying less attention in city traffic. An official campaign to reduce fatalities through mandatory seatbelt laws in Britain resulted in fewer automobile deaths, but was shown to have increased pedestrian deaths. [19]

The mileage death rate, which calculates deaths per 100 million vehicle miles, was 1.7 in 1991, decreased to 1.5 in 1992, rose to 1.8 by 1995, and then trended down so that for 1989, 1999, and 2000 — the last year for which data are available — the number declined to 1.5. Total vehicle miles traveled grew from 81.9 billion miles in 1991 to 94.9 billion miles in 2000.[20]

Of course, families and friends have powerful emotional and social incentives to reinforce good driving habits among their associates, and insurance companies have strong financial incentives to promote safe driving habits among the insured. These civil society incentives should suffice. **Savings: $1,837,200.**

III. Community Mental Health/Substance Abuse Services

Program: Community mental health non-Medicaid services

Appropriation:	Special Revenue Funds:	$ 1,582,400
	GF/GP:	$275,347,800
	Total:	$276,930,200[21]

Program Description:
This appropriation funds Department of Community Health expenditures that are not covered by Medicaid, but mimic the services provided by the Medicaid program on mental health issues for people whose income and assets make them ineligible for Medicaid.

The term "Medicaid" is used generally to describe 56 entitlement programs jointly administered by federal and state governments (states must participate in at least 14 of them to get federal matching funds). The programs are designed to help the poor by providing them with short- and long-term healthcare services. The original Medicaid program was passed in 1965 as part of Lyndon Johnson's "Great Society" initiative, in which he declared "unconditional war on poverty." Michigan spends $2 billion from its GF/GP account annually covering the costs of the program, and costs are expected to increase dramatically.

The services clients may receive under this program include, but are not limited to, help with substance abuse problems, general counseling, outpatient services, "inpatient care in a structured, secure environment,"[22] psychiatric evaluations, hospital care, Intelligence Quotient and other "projective" psychological testing, health services (minor first-aid treatment, in-home nursing visits, and dietary services); "occupational therapy" (for problems that involve work performance); and "specialty services" such as music, recreational, art, and massage therapies.[23]

Program Recommendation:
This program should be eliminated. The federal government has established guidelines for the provision of Medicaid services based on a variety of factors, including assets and income. It is laudable to assist people who fall outside of the established government categories, but where do expansions of the state end, and personal and civic responsibility begin? If government refrained from crowding out private solutions to social ills with high taxes and regulation, private individuals and institutions could do more to address the needs of Michigan citizens. **Savings: $276,930,200.**

Program: Multicultural services

Appropriation:	All from GF/GP:	$3,163,800
	Total:	$3,163,800[24]

Program Description:
This appropriation funds Community Mental Health Service Programs (CMHSP) for contracts for mental-health services to specified ethnic groups.

Recommended Action:
The funding for this program could be eliminated. Mental health services should not be either withheld or dispensed on the basis of ethnicity. **Savings: $3,163,800.**

Program: Medicaid substance abuse services

Appropriation:	Federal Funds:	$14,479,800
	GF/GP:	$11,647,700
	Total:	$26,127,500[25]

Program Description:
This appropriation funds Medicaid substance abuse services. These services are managed by CMHSPs. Spending on substance abuse treatment is increasing, and more of the funding burden is being shouldered by taxpayers. Payments for substance abuse treatment increased 5.4 percent per year from 1987-1997, even as inpatient treatment was increasingly replaced by less costly outpatient treatment. While this is a slower rate than the growth in overall national health expenditures (8.2 percent per year), there is cause for concern. In 1997, $11.9 billion was spent nationally on treating substance abuse. In that year, 62 percent of all substance abuse treatment funding came from the public sector, while only 55 percent of all mental health spending came from government. Taxpayers were increasingly called upon to fund substance abuse treatment; 61.8 of substance abuse treatment was funded through public sources in 1997, compared with only 50.3 percent to years earlier. By contrast, private insurance-funded spending grew only 1.9 percent a year.[26] This discrepancy suggests a shift to public sources and/or a relative lack of cost control in public-sector programs.

Recommended Action:
All state substance abuse programs could be eliminated in favor of private assistance. Substance abuse is a serious problem that leads to a loss in productivity, the breakdown of families, and a number of other adverse consequences. However, this program is an other example of a system that takes resources from families and communities through taxation, funnels it through expensive state and federal bureaucracies, and returns a portion of the amount taken to certain selected individuals and organizations. These resources should be left with individual families and local communities who are close to the problems, and who can provide assistance that is more accountable and effective than that from distant bureaucracies in Lansing and Washington. **Savings: $26,127,500.**

Program: Respite services

Appropriation:	Special Revenue Funds:	$3,000,000
	GF/GP:	$ 318,600
	Total:	$3,318,600[27]

Program Description:
This appropriation funds respite care for families who have children with emotional disturbances.

Recommended Action:
The state should remove itself from respite-care services. As with other forms of respite care, one should commend the hard work of family members who attend to their ill relatives. But every dollar that government takes from needy families, businesses, and individuals is a dollar that they cannot use to solve their own respite problems, or those of their neighbors. **Savings: $3,318,600.**

Program: State disability assistance program substance abuse services

Appropriation:	All from GF/GP:	$5,453,600
	Total:	$5,453,600[28]

Program Description:
This appropriation funds per-diem room and board payments for financially needy adults or emancipated minors who reside in substance abuse residential facilities.

Recommended Action:
This line item could be eliminated for the same reasons addressed by "Medicaid Substance Abuse Services" program, above. **Savings: $5,453,600.**

Program: Community substance abuse prevention, education, and treatment programs

Appropriation:	Federal Funds:	$57,744,900
	Special Revenue Funds:	$ 1,460,000
	GF/GP:	$17,130,500
	Total:	$76,335,400[29]

Program description:
This appropriation funds programs that distribute grants for substance abuse prevention, education, and treatment to 18 agencies and treatment centers. The treatment centers are outpatient and residential; there is no hospitalization.

Recommended Action:
Eliminate this line item for the same reasons addressed under the "Medicaid Substance Abuse Services" program. **Savings: $76,335,400.**

IV. Public Health Administration

Program: Minority health grants and contracts

Appropriation:		
	Federal Funds:	$650,000
	GF/GP:	$339,100
	Total:	$989,100[30]

Program Description:
This appropriation funds contracts and grants, some awarded on a non-competitive basis, to serve the health needs of minority groups and help "reduce the gap between minority and non-minority health, and improve minority access to existing health services."[31]

Recommended Action:
The state should eliminate funding for this program. The state, to the extent that it has a health program, should serve the needs of the population as a whole. Special outreach activities to minority groups could be conducted by private organizations that advance the interests and serve the needs of those groups. To a large extent, the perceived gap between the healthcare status of various population groups may reflect a less advantageous economic position. The best way to overcome economic disadvantages is through reforms in education, tax policy, and regulation. **Savings: $989,100.**

V. Laboratory Services

Program: Laboratory services

Appropriation:		
	Interdepartmental Grants:	$ 392,100
	Federal Funds:	$ 3,411,100
	Special Revenue Funds:	$ 3,131,300
	GF/GP:	$ 6,392,200
	Total:	$13,326,700[32]

Program Description:
This appropriation funds laboratory services for the department. The Bureau of Laboratories includes a Division of Chemistry of Toxicology and a Division of Infectious Diseases, as well as a Quality Assurance Section. It supports regional laboratories in Houghton, Kalamazoo, Grand Rapids and Saginaw. Funding for the bureau covers staff and contracts, supplies and travel for lab testing and identification of infectious disease agents. This program collects epidemiological data and tests blood samples children screened for lead. It also funds a bio-terrorism response team and studies Lyme disease.

Recommended Action:
The state should outsource its laboratory functions if economically feasible. Many private, for-profit laboratories exist and routinely perform laboratory analysis for all levels of government. Nicole Haskins, project scientist at LabSeek, Inc., a for-profit corporation that describes itself as "a convenient one-stop source for laboratory outsourcing," reports that average savings in the range of 10 percent to 20 percent for outsourced state laboratory services are the norm. For purpose of calculating the potential savings from contracting laboratory services, we will use 15 percent. **Savings: $1,999,005**.

VI. Local Health Administration and Grants

Program: Local public health operations

Appropriation:	All from GF/GP:	$41,070,200
	Total:	$41,070,200[33]

Program Description:
This appropriation funds operations that provide matching funds to local health departments for spending on any of nine services: immunizations, infectious disease control, STD control, hearing screening, private groundwater supply, and on-site sewage management.

Program Recommendation:
The state could change the public health code to remove any mandates for health services (such as those listed above) and eliminate matching grants that fund these activities at the local level. Local units of government have their own reasons to provide such services and pay for them directly. State intrusion, however well intended, attempts to provide universal solutions that cannot take into account all of the unique circumstances of respective counties, villages, and townships (CVTs). Rather than pay for half of all local hearing or sexually transmitted disease tests from state funds, for instance, the program could be eliminated and CVTs could determine their own public health destinies. The debate to raise taxes at the local level for such programs could personalize the issue, and lead citizens to better grasp the marginal costs and benefits of health programs, and how those programs directly affect their communities. **Savings: $41,070,200.**

VII. Chronic Disease and Injury Prevention and Health Promotion

Appropriations in this segment of the budget "promote healthy lifestyles."[34] The fact that "healthy lifestyles" is a good thing does not answer the question, "Is this a legitimate function of limited government?" Residents of Michigan, and the United States as a whole, do not suffer from lack of opportunity to learn about health issues. From Consumer Reports magazine to books to television shows, there are many ways that people can learn about healthy living. There is little need for expansive educational campaigns by governments.

Program: African-American male health initiative

Appropriation:	All from GF/GP:	$320,000
	Total:	$320,000[35]

Program Description:
This appropriation funds the African-American Male Health Initiative, a program that provides community-based prevention and disease detection to African-American men, providing services such as screening for hypertension and diabetes.[36]

Recommended Action:
This program should be eliminated. The state, to the extent that it has a health program, should serve the needs of the population as a whole. Special outreach activities to minority groups could be conducted by private organizations that advance the interests and serve the needs of those groups. Health services should not be either withheld or dispensed on the basis of race. **Savings: $320,000.**

Program: Alzheimer's information network

Appropriation:	Federal Funds:	$150,000
	Special Revenue Funds:	$290,000
	Total:	$440,000[37]

Program description:
This appropriation funds the Alzheimer's information network, a program that supports statewide and regional information and referral centers for persons with Alzheimer's disease, Huntington's disease, and Parkinson's disease.

Recommended Action:
This program should be eliminated. The fact that these diseases have serious effects on individuals and their families does not make the case for state intervention. While it is encouraging that the state is channeling this effort through groups such as the Alzheimer's Association, even this outsourcing effort politicizes disease management by subjecting it to the budget process. The medical establishment as well as private, nonprofit, public service organizations are capable of providing information as required. **Savings: $440,000.**

Program: Cancer prevention and control program

Appropriation:	Federal Funds:	$ 8,552,700
	Special Revenue Funds:	$ 1,534,600
	GF/GP:	$ 3,494,100
	Total:	$13,581,400[38]

Program description:
This appropriation funds the Cancer Prevention and Control program, which provides grants to communities for screening and follow-up services for cancer, cancer education, and early detection, and grants for cancer prevention activities.

Recommended Action:
This funding could be eliminated. The private sector has and continues to provide these services on a for- and non-profit basis. While these diseases have serious effects on individuals and their families, the case for state intervention is weak. The medical establishment as well as private voluntary groups are capable of providing information and services as required. **Savings: $13,581,400.**

Program: Chronic disease prevention

Appropriation:	Federal Funds:	$1,228,300
	Special Revenue Funds:	$ 189,100
	GF/GP:	$ 155,000
	Total:	$1,572,400[39]

Program Description:
This appropriation funds the Chronic Disease Prevention program, a program that provides funds to local health departments to develop community coalitions to address chronic diseases and to develop programs and provide grants to reduce chronic disease, focusing on arthritis, stroke, and obesity.

Recommended Action:
This program should be eliminated. Arthritis and strokes devastate lives of Michigan residents every day, and obesity is implicated in various health problems. Institutions of civil society, nonprofit groups, medical and community associations, and special-interest media outlets are capable of spreading the news about disease prevention and treatment. **Savings: $1,572,400.**

Program: Diabetes and kidney program

Appropriation:	Federal Funds:	$1,059,000
	Special Revenue Funds:	$ 93,600
	GF/GP:	$2,833,100
	Total:	$3,985,700[40]

Program description:
This appropriation funds primarily the administrative staff and other expenses related to contracts to help mitigate diabetes and kidney disease through prevention programs.

Recommended Action:
This program should be eliminated. While well intentioned, many private groups exist to educate people about the risks of diabetes and kidney disease. For example, The National Kidney Association and American Diabetes Association both operate web sites with extraordinary amounts of information on Kidney and Diabetes-related topics. **Savings: $3,985,700.**

Program: Health education, promotion, and research programs

Appropriation:	Federal Funds:	$ 102,800
	Special Revenue Funds:	$ 726,300
	GF/GP:	$ 523,700
	Total:	$1,352,800[41]

Program Description:
This appropriation funds the Health Education, Promotion, and Research programs. These programs support costs related to health research, work site and community health promotion, the tobacco program, school health, and osteoporosis prevention and treatment education.

Recommended Action:
This program should be eliminated. Basic research into health can more effectively be funded in other line items; health promotion and education of various diseases and in various settings can be done by voluntary groups and health businesses. **Savings: $1,352,800.**

Program: Injury control intervention project

Appropriation:	Federal Funds:	$325,000
	GF/GP:	$600,000
	Total:	$925,000[42]

Program Description:
This appropriation funds the Injury Control Intervention project. This project operates and oversees programs to prevent disabilities, including fire safety, traumatic brain injury, and community childhood injury prevention programs.

Recommended Action:
This program should be eliminated. Individuals have every incentive to be concerned about their own health and safety and that of their loved ones. Institutions of civil society — individuals, private associations, and community groups — can all work to promote safe living based on their perceived needs and wants. **Savings: $925,000.**

Program: Morris Hood Wayne State University diabetes outreach

Appropriation:	All from Special Revenue Funds:	$500,000
	Total:	$500,000[43]

Program Description:
This appropriation funds the Morris Hood Wayne State University Diabetes Outreach program which works to identify and test people who may be at high risk for contracting diabetes.

Recommended Action:
Funding for this program should be eliminated. While well intentioned, this program need not be subsidized by the state. Nonprofit organizations and other institutions of civil society work on behalf of many causes, debilitating

diseases being just one. For instance, the American Diabetes Association accepts no government funds, yet it raises money privately to donate to research on the disease and the same type of community outreach work funded by the Morris Hood Wayne State University program. The American Diabetes Association has four branch offices in this state alone. They are located in Bingham Farms, Lansing, Portage, and Grand Rapids, respectively. **Savings: $500,000.**

Program: Obesity program

Appropriation:	Federal Funds:	$250,000
	GF/GP:	$200,000
	Total:	$450,000[44]

Program Description:
This appropriation funds the obesity program, an initiative to "increase healthy eating and physical activity among consumers" and decrease the number of overweight individuals in the state.[45]

Program Recommendation:
This program should be eliminated. While there is obvious health problems associated with obesity, addressing those problems need not be a function of state government. Institutions of civil society such as individuals, community medical associations, and state and national health associations can work to raise awareness about the dangers of obesity based on their own calculus. **Savings: $450,000.**

Program: Physical fitness, nutrition, and health

Appropriation:	All from GF/GP:	$1,245,000
	Total:	$1,245,000[46]

Program Description:
This appropriation funds grants to support a statewide network of local physical fitness, health, and sports councils so that they may develop a physical fitness curriculum. The money is used to educate the public on ways of preventing sports injuries.

Recommended Action:
This program should be eliminated. Michigan's residents enjoy a wide variety of physical activities for health, work and recreation. Recreation and health industries have enough incentive to promote physical fitness. **Savings: $1,245,000.**

Program: Public health traffic safety coordination

Appropriation:	Federal Funds:	$350,000
	GF/GP:	$300,000
	Total:	$650,000[47]

Program Description:
This appropriation funds the Public Health Traffic Safety Coordination program, a program that supports research on bicycle-related injures, collects emergency room data on injuries, and provides grants for child safety-seat education programs.

Recommended Action:
This program should be eliminated. Private associations, researchers, families and media sources can provide sufficient information about injury data and safety-seat requirements. **Savings: $650,000.**

Program: Smoking prevention program

Appropriation:		
	Federal Funds:	$1,738,500
	Special Revenue Funds:	$1,906,200
	GF/GP:	$1,900,000
	Total:	$5,544,700[48]

Program Description:
This appropriation funds the Smoking Prevention program, a program that provides money for contracts for smoking prevention programs and projects; for enforcing clean indoor-air laws; for an anti-tobacco media campaign; and for anti-smoking materials to school districts.

Recommended Action:
Funding for this item should be eliminated. Smoking is a voluntary and legal activity whose risks are widely publicized and whose benefits are perceived differently by each person. Even if the anti-smoking efforts of the state were effective, government should not be in the business of operating prevention programs. Private institutions exist for this very purpose and would continue to do so if the government removed itself from this arena.

As for educational campaigns, Michigan schools are struggling to carry out their core academic functions; they should be freed of requirements such as the conduct of anti-smoking campaigns. **Savings: $5,544,700.**

Program: Violence prevention

Appropriation:		
	All from Federal Funds:	$1,446,900
	Total:	$1,446,900[49]

Program Description:
This appropriation funds the violence prevention program. This program helps establish and support regional coalitions to prevent violence; helps develop programs to identify victims of abuse; helps conduct educational and media campaigns about violence; funds rape prevention programs; and funds domestic violence programs in schools.

Recommended Action:
These activities can be carried out through individuals and families acting in conjunction with private, voluntary organizations such as religious organizations and other nonprofits. The funding for this program could be eliminated. **Savings: $1,446,900.**

VIII. Community Living, Children, and Families

Program: Dental programs

Appropriation:		
	Federal Funds:	$110,400
	Special Revenue Funds:	$150,400
	GF/GP:	$250,000
	Total:	$510,400[50]

Program Description:
This appropriation funds dental programs that provide money to pay for dental services for the uninsured (including those who do not qualify for Medicaid) who cannot get "dental services due to mental or physical handicap or visual impairment."[51]

Recommended Action:
This program should be eliminated. Statewide, dentists generously work pro bono for low-income and uninsured patients. For example, in Ypsilanti, Mich., the Hope Medical Clinic, Inc. provides volunteer dental work four days weekly and maintains a network of dentists willing to provide specialty services — such as oral surgery — free of charge. The national group, Foundation of Dentistry for the Handicapped, maintains a list of private and government subsidized "Donated Dental Services" providers for every state in the nation. This organization alone maintains a list of 642 Michigan dentists who volunteer their services individually, and in conjunction with private or government agencies. In cities across Michigan, local religious and charity groups such as the United Way and Red Cross, often maintain a referral service of dentists (among other professionals) willing to provide free services to needy clients or directly subsidize dental work.

Many other dentists simply offer free services without fanfare from their own offices. According to the 1997 Survey of Current Issues in Dentistry, 60.7 percent of American dentists provide some type of charitable (free or reduced cost) dental care through their primary practices. The majority of their charitable work goes to the low-income, and to handicapped individuals, but it also serves poor migrant workers, people who are homebound, institutionalized, or suffering from Acquired Immune Deficiency Syndrome. The average value of donated care per dentist surveyed in 1997 was over $10,000. During the same year dentists also provide reduced price services depending on a patients' ability to pay. Overall, these professionals treated an average 42 patients each, free-of-charge, and provided reduced cost services to an additional 103.[52]

Institutions of civil society, such as family members, religious groups, civic clubs and others who generously donate their time and skills could do more if government worked to avoid crowding them out with well-intentioned but unnecessary programs. Every dollar that is taken from communities and run through distant bureaucracies is a dollar that cannot be used to help people privately and through voluntary efforts. **Savings: $510,400**.

Program: Dental program for persons with developmental disabilities

Appropriation:	All from GF/GP:	$151,000
	Total:	$151,000[53]

Program Description:
This appropriation funds the Dental Program for Persons with Developmental Disabilities. This program is similar to the one listed above, though it is dedicated solely to the category of "developmental disabilities."

Recommended Action:
This program could be eliminated. As with the program described directly above, groups and individuals already work to provide dental services to special needs clients who do not have insurance. **Savings: $151,000.**

Program: Family planning local agreements

Appropriation:	Federal Funds	$6,802,400
	GF/GP	$1,591,500
	Total:	$8,393,900[54]

Program Description:
This appropriation funds the Family Planning Local Agreements program. This program provides grant support to health departments across Michigan for, among other things, family planning.

Recommended Action:
This program should be eliminated. Family planning assistance is performed by private, nonprofit groups across the country without the aid of state subsidies. **Savings: $8,393,900.**

Program: Migrant healthcare

Appropriation:	Federal Funds:	$ 63,900
	GF/GP:	$136,100
	Total:	$200,000[55]

Program Description:
This appropriation funds grants for local areas with high migrant populations, to provide healthcare, immunization outreach, and other services.

Recommended Action:
This program should be eliminated. Migrant workers are an important part of the Michigan economy, especially its agricultural sector. They come to Michigan because they perceive that the economic opportunities here are greater than elsewhere. State government should not distort these incentives by subsidizing the healthcare of these workers. Institutions of civil society exist to address all types of social ills, including those that effect migrants. Note: For more on the subject of migrant workers in Michigan see page 10. **Savings: $200,000.**

Program: Pregnancy prevention program

Appropriation:	Federal Funds:	$ 812,800
	GF/GP:	$5,533,300
	Total:	$6,346,100[56]

Program Description:
This appropriation funds the Pregnancy Prevention Program, a program which supports grants to local agencies, including health departments, to provide family planning services.

Recommended Action:
This program should be eliminated. While unplanned pregnancies can pose significant challenges to both the child and the family, family planning assistance is performed by private, nonprofit groups across the country without the aid of state subsidies. The state should not interfere in family planning. **Savings: $6,346,100.**

Program: Sudden infant death syndrome program

Appropriation:	Federal Funds:	$121,300
	GF/GP:	$200,000
	Total:	$321,300[57]

Program Description:
This appropriation funds the Sudden Infant Death Syndrome program. This program provides for grief counseling and follow-up services for families who have lost a child to Sudden Infant Death Syndrome (SIDS). It also provides funding for public education and reporting.

Recommended Action:
This funding should be eliminated. Each incident of SIDS is a tragedy for the family involved, but grief counseling and public education need not be a function of government. Extended families, religious organizations, the paid and unpaid services from professional counselors, and nonprofit groups can all work to raise awareness of SIDS and help families who have been grieved by it. **Savings: $321,300.**

IX. Children's Special Health-Care Services

Program: Conveyor contract

Appropriation:		
	Federal Funds:	$104,000
	GF/GP:	$455,100
	Total:	$559,100[58]

Program Description:
This appropriation funds the Conveyor Contract program. This program supports transportation costs for families served through the Children's Special Health-Care Services Program (CSHCS). The program is means-tested.

Recommended Action:
This program could be eliminated. Currently, families with a household income of up to 250 percent of the poverty level are eligible.[59] This means that a family of four with income up to $45,250 could benefit from these funds. Families, neighbors, friends, employers, religious groups, civic groups and businesses are capable of helping needy people with transportation. **Savings: $559,100.**

X. Office of Drug Control Policy

Program: Drug control policy

Appropriation:		
	Federal Funds:	$1,587,400
	GF/GP:	$ 386,000
	Total:	$1,973,400[60]

Program Description:
This appropriation funds the Drug Control Policy program. The office seeks to reduce the use of illegal drugs through a combination of social services, education and law enforcement.

Recommended Action:
This program has laudatory objectives, but it takes money from local communities, passes it through federal and state bureaucracies, and returns the remainder of it, strings attached, to programs which often duplicate existing school-based or community-based programs. One lesson of the last 30 years of anti-drug policy is that illicit drug use is most effectively reduced through efforts financed by local community organizations and individuals. This program should be eliminated. **Savings: $1,973,400.**

Program: Anti-drug abuse grants

Appropriation:		
	All from Federal Funds:	$28,659,200
	Total:	$28,659,200[61]

Program Description:
This line item funds grants for anti-drug use programs in schools and other settings. The Boys & Girls Club of Alpena received $55,000, for example, to conduct "a fine arts program, computer skills, academic enrichment, job readiness program, decision making skills, coping and communications skills" program. The Alliance for a Safer, Greater Detroit, another recipient of anti-drug funds, used $70,000 to conduct "a summer academic or sports camp experience at one of six Michigan universities."[62] Campus mentoring programs link first-year college students with upperclassmen who "have been trained to help the freshmen adjust to college life without the use of alcohol."[63]

Recommended Action:
This program should be eliminated. A body of evidence suggests government drug abuse prevention programs may even be counter-productive.[64] The message to refrain from drug abuse is a sound one, but it is one that is best taught by family and other members of civil society.[65] **Savings: $28,659,200.**

XI. Office of Services to the Aging

Program: Community services

Appropriation:	Federal Funds:	$18,761,500
	GF/GP:	$15,828,400
	Total:	$34,589,900[66]

Program Description:
This appropriation funds programs that distribute money to Area Agencies on Aging in various parts of the state. It includes money for in-home services to the elderly; community services such as health education and training, recreational programs, homemaker and counseling programs, housing repair, and legal assistance. It also includes disease prevention efforts for the elderly poor.

Recommended Action:
This funding should be eliminated. The program is an example of how the state crowds out private effort and weakens the bonds that naturally link people together on a voluntary basis. Michiganians help the elderly, conduct house repair, and provide legal assistance voluntarily every day. *Pro bono* representation is a long and honored tradition in the legal profession. (Loosening restrictions on what is considered the "Unauthorized Practice of Law" could help as well. As Mackinac Center scholar George C. Leef has argued, repealing unauthorized practice of law restrictions would benefit the poor most.[67]) Unions in the building trades could offer housing repair services for free or at a reduced cost as a public service. Religious institutions and self-help groups offer counseling at nominal costs, or even free of charge. Privately organized people can meet the needs of the vulnerable ever more if the burdens of the regulatory and political state are lessened. **Savings: $34,589,900.**

Program: Nutrition services

Appropriation:	Federal Funds:	$25,100,000
	Special Revenue Funds:	$ 500,000
	GF/GP:	$11,689,300
	Total:	$37,289,300[68]

Program Description:
This appropriation funds nutrition services programs. These programs provide funding to Area Agencies on Aging for the delivery of hot meals, nutrition education, and administration.

Recommended Action:
This program should be eliminated. Community groups, families and individuals could shoulder these burdens free of the bureaucracy and regulatory apparatus of government. This is an example of how the state crowds out private effort and weakens the bonds that naturally link people together on a voluntary basis. **Savings: $37,289,300.**

Program: Senior volunteer services

Appropriation:	All from GF/GP:	$5,970,000
	Total:	$5,970,000[69]

Program Description:
This appropriation funds senior volunteer services. Funding from this appropriation goes through the Area Agencies on Aging, to support volunteering and to financially reward volunteers. In the Senior Companion Program, seniors provide 20 hours a week of care to adults in need, and are paid a stipend in return. The Foster Grandparent Program

is a similar program aimed at serving children. The Retired and Senior Volunteer Program supports senior citizen volunteers generally.

Recommended Action:
This program should be eliminated. There may be no better example of how the multiple and varied spending plans of government compete with and crowd out what has historically been normal human interaction. Paying people to volunteer, while not unique to this department, is an affront to the notion of volunteering, charitable service, and civil society. **Savings: $5,970,000.**

Program: Senior citizen centers staffing and equipment

Appropriation:	All from GF/GP:	$1,130,000
	Total:	$1,130,000[70]

Program Description:
This appropriation funds senior citizen centers' staffing and equipment. Senior centers provide information about the low-income energy-assistance program, Medicaid, nursing homes, food stamps, and a variety of other government programs and social services. The money from this allocation supplements the budgets for those centers, which receive public and private support.

Recommended Action:
This program should be eliminated. Responsibility for funding these services should belong to the private sector. While social interaction does help promote general health and well being, the state is stepping outside its appropriate sphere by funding self-help volunteer organizations. Any number of fraternal organizations, such as the Eagles, Elks and Masons, as well as veterans groups, religious groups and clubs, not to mention families and friends, are available to help seniors. Many senior services are performed through non-profit organizations under government contract. Some already solicit private support.[71] **Savings: $1,130,000.**

Program: Employment assistance

Appropriation:	All from Federal Funds:	$2,818,300
	Total:	$2,818,300[72]

Program Description:
This appropriation funds employment assistance. These funds, distributed to offices of the Area Agencies on Aging, are used to offer and promote part-time employment in community service agencies for senior citizens.

Recommended Action:
This funding should be eliminated. Fraternal organizations and other associations such as those noted above can identify needs for part-time workers without state mediation. **Savings: $2,818,300.**

Program: Respite care program

Appropriation:	All from Special Revenue Funds:	$7,100,000
	Total:	$7,100,000[73]

Program Description:
This appropriation funds programs that provide respite for caregivers working with elderly persons who need around-the-clock assistance.

Recommended Action:
This line item should be eliminated for the same reasons addressed in previous respite care line items, found above. **Savings: $7,100,000.**

[1] Act No. 519, Public Acts of 2002, p. 1.
[2] The MDCH web site, "The Michigan Department of Community Health mission," accessible on the Internet at http://www.michigan.gov/mdch/0,1607,7-132--14173--,00.html.
[3] Ibid.
[4] Margaret Alston, Bill Fairgrieve, Susan Frey, Tumai Burris, "Line Item and Boilerplate Summary: Community Health Fiscal Year 2002-2003," p. 3.
[5] Ibid.
[6] For more information about the CON program, see the MDCH web site, "Certificate of Need," accessible on the Internet at http://www.michigan.gov/mdch/0,1607,7-132-2945_5106---,00.html.
[7] Wolfgang Grassl, "Government Regulation of Hospital Purchasing — Michigan Patients Pay a Heavy Price," Mackinac Center for Public Policy, 2002, accessible on the Internet at http://www.mackinac.org/article.asp?ID=4572; and Terree Wasley, "Certificates of Need: Poor Public Policy," Mackinac Center for Public Policy, 1993, accessible on the Internet at http://www.mackinac.org/article.asp?ID=152.
[8] John C. Goodman and Gerald L. Musgrave, "Case Study: Elderly Mortality and State Government Regulation," excerpted from "Patient Power," Washington, D.C.: Cato Institute, 1992, accessible on the Internet at http://www.ncpa.org/w/w64.html.
[9] Alston, Fairgrieve, Frey, Burris, p. 4.
[10] Michigan Center for Rural Health web site, "Our Mission," accessible on the Internet at http://www.com.msu.edu/micrh/index.htm.
[11] Alston, Fairgrieve, Frey, Burris, p. 4. The original appropriation was $954,100 but was increased as a result of the July 2002 increase in the cigarette tax.
[12] Michigan Department of Community Health web site, "Healthy Michigan Fund Report 2000-2002," p. 23, accessible on the Internet at http://www.michigan.gov/documents/sec213nov_23228_7.pdf.
[13] For more information on this phenomenon, see William E. Pike, "Recruiting Rural Physicians: Small-Town Socialism," Ideas on Liberty, January 1999, p. 11-13, accessible on the Internet at http://www.fee.org/vnews.php?nid=4210 (free registration required).
[14] Alston, Fairgrieve, Frey, Burris, p. 6.
[15] Ibid.
[16] Ibid, p. 7.
[17] Correspondence with the House Fiscal Agency, Oct. 9, 2002.
[18] Act No. 519, p. 2.
[19] See, for example, John Adams, "Cars, Cholera, and Cows: The Management of Risk and Uncertainty," Cato Institute Policy Analysis 335, March 4, 1999, http://www.cato.org/pubs/pas/pa335.pdf. There is an inherently subjective dimension of risk, which is why some people fear flying, even though travel by commercial airplane is statistically safer than private automobile travel.
[20] Michigan State Police, "2000 Michigan Crash Facts, Michigan State Police," p. 27-33, accessible on the Internet at http://www.umtri.umich.edu/tdc/mtcf/doc/2000/2000MTCF_vol1.pdf.
[21] Act No. 519, p. 2.
[22] Act No. 519, p. 14.
[23] "Draft of Revised Chapter III for Prepaid Health Plans, Mental Health and Substance Abuse." The pages for this document are not numbered. This document describes services that are provided under the Medicaid program and which are mimicked by the Community Mental health non-Medicaid services program according to Irene Kazieczko, director, bureau of mental health substance abuse and long-term care for the Michigan's Department of Community Health.
[24] Alston, Fairgrieve, Frey, Burris, p. 8. This program's funding has been decreased from $5,663,800 due to a partial veto.
[25] Ibid., p. 9.
[26] All numbers come from Mark, Tami L; Coffey, Rosanna M King, Edward Harwood, Henrick et al, "Spending on mental health and substance abuse treatment," Health Affairs Vol. 19, No. 4, July/August 2000, p. 108-120.
[27] Act No. 519, p. 2.
[28] Alston, Fairgrieve, Frey, Burris, p. 9. This program's funding has been decreased from $6,600,000 due to a partial veto.
[29] Ibid, p. 10. This program's funding has been decreased from $79,740,400 due to a partial veto.

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[30] Ibid., p. 15. The original appropriation was $650,000 but was increased as a result of the July 2002 increase in the cigarette tax.
[31] Alston, Fairgrieve, Frey, Burris, p. 15.
[32] Act No. 519, p. 4.
[33] Ibid.
[34] Margaret Alston, Bill Fairgrieve, Susan Frey, and Tomai Burris, "Line Item and Boilerplate Summary: Community Health Fiscal Year 2001-02," p. 23.
[35] Alston, Fairgrieve, Frey, Burris, p. 24. The original appropriation was $5,000 but was increased as a result the July 2002 increase in the cigarette tax.
[36] Healthy Michigan Fund Report, p. 5.
[37] Ibid.
[38] Alston, Fairgrieve, Frey, Burris, p. 24. The original appropriation was $12,081,400 but was increased as a result the July 2002 increase in the cigarette tax.
[39] Ibid, p. 25. The original appropriation was $1,522,400 but was increased as a result of the July 2002 increase in the cigarette tax.
[40] Ibid. The original appropriation was $1,388,500 but was increased as a result of the July 2002 increase in the cigarette tax.
[41] Ibid.
[42] Ibid. The original appropriation was $430,000 but was increased as a result of the July 2002 increase in the cigarette tax.
[43] Ibid.
[44] Ibid. The original appropriation was $255,000 but was increased as a result of the July 2002 increase in the cigarette tax.
[45] Centers for Disease Control web site, "Overweight and Obesity State Programs: Michigan," accessible on the Internet at http://www.cdc.gov/nccdphp/dnpa/obesity/state_programs/mi.htm.
[46] Alston, Fairgrieve, Frey, Burris, p. 26. The original appropriation was $755,000 but was increased as a result the July 2002 increase in the cigarette tax.
[47] Ibid.
[48] Ibid. The original appropriation was $3,644,700 but was increased as a result of the July 2002 increase in the cigarette tax.
[49] Act No. 519, p. 5.
[50] Ibid.
[51] Alston, Fairgrieve, Frey, Burris, p. 28.
[52] The American Dental Association, "1997 Survey of Current Issues in Dentistry: Charitable Dental Care," December 1998, p. 3, 7, 8.
[53] Act No. 519, p. 5.
[54] Ibid.
[55] Ibid.
[56] Alston, Fairgrieve, Frey, Burris, p. 30. The original appropriation was $2,851,100 but was increased as a result the July 2002 increase in the cigarette tax.
[57] Act No. 519, p. 5.
[58] Ibid, p. 6.
[59] Federal poverty levels are calculated by the U.S. Department of Health and Human Services, and updated annually. The 2002 guidelines, published in the federal register, may be found at http://aspe.hhs.gov/poverty/02fedreg.htm.
[60] Act No. 519, p. 6.
[61] Ibid.
[62] "Governor's Discretionary Funds," "Fiscal Year 2002-03 Grant Award Summary," Michigan Department of Community Health, available online at http://www.michigan.gov/documents/2002-03_Governor's_Discretionary_Full_Year_Grants_43709_7.PDF.
[63] Michigan Department of Community Health, "Campus Mentoring Program and Michigan Universities," accessible on the Internet at http://www.michigan.gov/mdch/0,1607,7-132-2941_4871_4878-39027--,00.html.
[64] Dr. Gary L. Wolfram, "Dare to Privatize DARE," Michigan Privatization Report, Fall 1998, accessible on the Internet at http://www.mackinac.org/671.
[65] For more on the DARE program, see "Dare to Privatize DARE," Michigan Privatization Report, Fall 1998.

[66] Ibid.
[67] George C. Leef, "Lawyer Fees Too High? The Case for Repealing Unauthorized Practice of Law Statutes," Regulation magazine, accessible on the Internet at http://www.cato.org/pubs/regulation/reg20n1c.html.
[68] Act No. 519, p. 6.
[69] Act No. 519, p. 7.
[70] Ibid.
[71] Senior Services, Inc., of Kalamazoo requests volunteer labor and donations on their web site, accessible on the Internet at http://www.seniorservices1.org/Page0013.htm. Voluntary contributions to this and similar organizations may increase if lower taxes result in more disposable income.
[72] Act No. 519, p. 7.
[73] Ibid.

Community Colleges

Appropriations Summary	Actual[1]	Recommended	Savings
Interdepartmental Grants/Transfers	$ 0	$ 0	$ 0
Federal Funds	$ 0	$ 0	$ 0
General Fund/General Purpose	$319,732,319	$290,038,170	$29,694,149
Special Revenue Funds	$ 2,000,000	$ 2,000,000	$ 0
Gross Appropriation	**$321,732,319**	**$292,038,170**	**$29,694,149**

The community college budget for fiscal year 2003 is comprised of two types of appropriations: those for the day-to-day operations of Michigan's community colleges, and grants, of which there are two. Substantial and immediate savings could be realized with respect to the day-to-day operations by retroactively indexing spending to two factors: inflation and enrollment, beginning in fiscal year 1985. Community college spending has grown at a far faster rate than either factor — a development that calls for greater scrutiny of requests for state funding increases.

One of the two grants, known as the "At-Risk Student Success Program," should be eliminated. It financially rewards community colleges for labeling students "at-risk," duplicates other funding mechanisms for special-needs students, and increases the overall cost of funding community colleges.

I. Operations

Program: Community college operations

Appropriation:	All from GF/GP:	$315,504,216
	Total:	$315,504,216[2]

Program Description:
This appropriation funds the operational costs of Michigan's community colleges. Michigan's 28 community colleges provide the following: (1) low-cost courses for students planning to obtain a bachelor's degree, (2) courses for those who wish to have special kinds of technical skills in business, industry or other fields, and (3) programs to serve the direct educational needs of the community where the college resides. Fewer than 200,000 students are currently enrolled full-time in community colleges throughout the state, a 3.4 percent drop since the 1984-1985 school year.[3]

For the fiscal year 2002-03, individual community college appropriations totaled $315,504,216. The specific appropriations according to Act 161 of 2002 are:

Alpena Community College	$5,311,973
Bay De Noc Community College	$5,129,944
Delta College	$14,813,864
Glen Oaks Community College	$2,485,512
Gogebic Community College	$4,365,123
Grand Rapids Community College	$18,633,380
Henry Ford Community College	$22,708,494
Jackson Community College	$12,570,441
Kalamazoo Valley Community College	$12,825,971
Kellogg Community College	$10,076,975
Kirtland Community College	$3,058,415
Lake Michigan College	$5,423,461
Lansing Community College	$32,223,042
Macomb Community College	$34,381,003
Mid Michigan Community College	$4,586,420
Monroe County Community College	$4,462,223

Montcalm County Community College	$3,227,530
C.S. Mott Community College	$16,291,459
Muskegon Community College	$9,271,134
North Central Michigan College	$3,140,212
Northwestern Michigan College	$9,460,166
Oakland Community College	$21,687,988
St. Clair County Community College	$7,264,610
Schoolcraft College	$12,728,740
Southwestern Michigan College	$6,832,843
Washtenaw Community College	$12,937,228
Wayne County Community College	$17,223,721
West Shore Community College	$2,382,344

Recommended Action:
While public support for higher education might be better accomplished by converting from direct funding to a system of tuition vouchers or tax credits, such a plan may not be politically feasible at this moment.[4] But it would give institutions of higher learning a stronger incentive to contain costs and to make sure that as many resources as possible are dedicated to serving students' educational needs. There are, however, some immediate steps that the Michigan Legislature should take to deal with escalating costs.

During tough economic times there is no legitimate reason to exempt community colleges from the same budget discipline that families and state bureaucracies must face — especially since fewer full-time students attend community colleges than in 1984.

The Mackinac for Public Policy recommends using fiscal year 1985 as a base year and indexing future higher education spending to enrollment plus inflation. It is in this year that spending on higher education begins to increase most dramatically. Doing this would mean spending only $263,500,124 on community colleges in fiscal year 2004, $52 million less than in the previous year. If lawmakers do not judge such a proposal to be politically advantageous, however, spending could be rolled back by half of this amount for the time being, or $26 million in fiscal year 2004. The cuts could be distributed to universities in proportion to the size of their current appropriations. The cuts could be distributed to universities in proportion to the size of their current appropriations. In future fiscal years, the Legislature should continue a spending rollback until universities are receiving an amount equal to 1985 fiscal year dollars plus inflation and enrollment.

Proponents of dramatic spending increases may argue that a simple analysis based on enrollment and inflation ignores such factors as the cyclical nature of enrollment, the impact of increased program demands, and the increased costs of technology. While these factors affect funding needs, it is interesting that they always seem to drive overall costs upward. Where are the savings from better technology in college operations and administration? Why must funding increase when enrollment declines? Legislators and citizens should place a high burden of proof on community colleges to justify demands for increased funding. **Savings: $26,002,046.**

II. Grants

Program: At-risk student success program

Appropriation:	All from GF/GP:	$3,692,103
	Total:	$3,692,103[5]

Program Description:
This appropriation funds the at-risk student success program. The at-risk student success grant funds community college programs for students who are labeled "at-risk." For a student to be labeled "at-risk," he or she must meet one of the following criteria: (1) He or she must have been placed in one or more developmental course(s) as a result of poor scores on standardized tests or as a result of failure to make satisfactory academic progress; (2) he or she

should have been diagnosed by a qualified professional as learning disabled; or (3) he or she should require English as a second language assistance. The majority of at-risk students fall into the first category.

The funding method for the at-risk program adds together "contact hours" for developmental and preparatory classes of students and then is divided by a college's three-year average of all student contact hours. That result is then divided by the total number of contact hours by all community colleges in Michigan. The equals the share of funds directed to that community college for "at-risk" students. Each school also receives a base grant of $40,000 for its at-risk program.

Recommended Action:
This program should be eliminated. Providing extra assistance to students, whether "at-risk" or not, is best handled by individual, family and community efforts, not state government.

Funding of at-risk student programs in community colleges promotes a perverse system of incentives and rewards. Under the current system, a student who puts very little effort into a class and fails may be eligible for special treatment, whereas a student who puts forth a strong effort but only earns a C may not qualify. This program can actually subsidize poor performance by rewarding community colleges with additional funding.

According to the formula, community colleges receive more funding for each student labeled "at-risk." The number of students defined as "at-risk" has gone up 20 percent in fiscal years 2000 and 2001 over each previous fiscal year, respectively, even though overall community college attendance remained fairly constant.[6] At Gogebic Community College a whopping 45 percent of students in fiscal year 2001 were defined "at-risk."[7]

According to Rhonda Burke of the Michigan Department of Career Development, community colleges are free to change their interpretation of the guidelines for at-risk students in any particular year.[8] The state does not have a standard mechanism for community colleges to assess which students are "at-risk" and which are not. This gives community colleges wide latitude on how many students it assigns to developmental classes. In addition, community colleges need not spend their additional "at-risk" monies on students themselves.

Grants from this program may be used to fund building and technology upgrades such as new computers and software from which all students, faculty, and administrators' benefit. During fiscal year 2001 Northwestern Community College in Traverse City used all of its at-risk funds for updating "technology related equipment and software."[9] The annual report for the program clearly states that the "purchases need not be associated with the operation of a program designed to address the needs of at-risk students."[10] In another example, C.S. Mott Community College in Flint allocated 42 percent of its at-risk funding to updating its "Reading Labs" and classrooms.[11] **Savings: $3,692,103.**

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[1] Act No. 528 of 2002, Public Acts of 2002, p. 11-12.
[2] Ibid. State spending for this line item was reduced by $7,900,850 by Gov. Engler's Executive Order 2002-22.
[3] Author's calculations based on data from the Michigan Community College Network web site, (accessible on the Internet at http://www.michigancc.net/s_d/reports/edd/feeag.pdf) and the Mackinac Center for Public Policy study Advancing Civil Society: A State Budget to Strengthen Michigan Culture, Second Edition," April, 1996, p. 29.
[4] See Chodorov, Frank. "Why Free Schools are Not Free" and "Private Schools: The Solution to America's Educational Problem," in "Figurative Essays: Selected Writings of Frank Chodorov," Indianapolis: Liberty Press, 1980; Lieberman, Myron. "Beyond Education," New York: Praeger, 1986; Lieberman, Myron. "Public Education: An Autopsy," Cambridge, Mass.: Harvard University Press, 1993; Richman, Sheldon. "Separating School and State," Fairfax, Va.: Future of Freedom Foundation, 1994; and Sommer, John W. (editor), "The Academy in Crisis: The Political Economy of Higher Education," New Brunswick, NJ: Transaction Publishers, 1995.
[5] Act No. 161, p. 2. State spending for this line item was reduced by $92,458 by Gov. Engler's Executive Order 2002-22.

[6] Michigan Department of Career Development, "At-Risk Student Success Program: Grant Expenditures and Program Summaries, January, 2002. The enrollment figures are found at

http://www.michigancc.net/s_d/reports/trends/fe01.pdf, and is put out by the Michigan Community College Network.
[7]Author's calculations are based on three documents: The At-Risk Student Success Program report, referenced immediately above, and Michigan Community College Network, "Total Year-End Enrollments by Community College 1999-2000 and 2000-2001." Accessible on the Internet at http://www.michigancc.net/s_d/reports/edd/tyeebcc.pdf.
[8] Telephone interview of Rhonda Burke, Michigan Department of Career Development, by Mackinac Center for Public Policy Research Assistant James Hohman, Nov. 8, 2002.
[9] At-Risk Student Success Program report, January, 2002, no page number is given.
[10] Ibid.
[11] Ibid.

Department of Consumer and Industry Services

Appropriations Summary	Actual[1]	Recommended	Savings
Interdepartmental Grants/Transfers:	$ 111,100	$ 88,880	$ 22,220
Federal Funds	$242,311,500	$239,832,556	$ 2,478,944
General Fund/General Purpose	$ 35,976,300	$ 35,457,600	$ 518,700
Special Revenue Funds	$276,602,600	$205,086,846	$71,515,754
Gross Appropriation	**$555,001,500**	**$480,465,882**	**$74,535,618**

Consumer and Industry Services (CIS) is a 1996 creation resulting from the merger of the Michigan Department of Commerce and the Michigan Department of Labor. Its mission, according to its web site, "is to support the health, safety, economic and cultural well-being of the public through services to, and regulation of the activities of organizations and individuals."[2]

I. Executive Direction

Program: Unclassified salaries

Appropriation:	Federal Funds:	$ 551,400
	Special Revenue Funds:	$4,004,400
	GF/GP:	$1,059,900
	Total:	$5,615,700[3]

Program: Executive director programs

Appropriation:	Special Revenue Funds:	$1,720,200
	GF/GP:	$ 46,700
	Total:	$1,766,900[4]

Program Description:
This appropriation funds Unclassified Salaries and Executive Director programs that provide support services to the Director of Consumer and Industry Services. In other words, they are the Director's staff.

Recommended Action:
With the elimination of approximately 14 percent of the Consumer and Industry Services budget (as described below) comes the ability to downsize these appropriations commensurately. This is an estimate only, and a detailed analysis of the impact of program reductions is needed to determine the actual savings. **Savings: $1,033,564.**

Program: Energy office positions

Appropriation:	Federal Funds:	$2,179,100
	Special Revenue Funds:	$ 476,500
	Total:	$2,655,600[5]

Program Description:
This appropriation funds the energy office positions. The Energy Office's functions include promoting energy efficiency among Michigan's businesses, public institutions, and residents. It distributes brochures on the efficient use of lighting, heating, cooling and automobiles. It also advocates the use of alternative fuels and "renewable" energy such as solar and wind power. [6]

Recommended Action:
The energy office should be eliminated. The private sector already has sufficient incentive to maximize energy efficiency — its own self-interest.

The for-profit utility, DTE Energy Company, is constantly investing in new energy-conserving products and services such as solar, biomass, and fuel-cell technologies.[7] Such investments may enable DTE to reap greater financial rewards for doing so. In addition, there are also nonprofit organizations that work to help people conserve energy. Urban Options of Lansing, Michigan, provides energy saving tips for lighting, windows, refrigerators and freezers, water heating, cooking appliances and dishwashers, washers and dryers, and even home computers. For a fee of $90, Urban Options will come to your home and provide a Home Energy Check Up based on your home's energy saving needs.[8] Another nonprofit is the Community Foundation of Greater Flint, which runs an "Energy Initiative Program" to ensure that nonprofits in the area use energy wisely.[9] **Savings: $2,655,600.**

II. Fire Safety

Program: Office of fire safety

Appropriation:	Interdepartmental Grants:	$ 111,100
	Federal Funds:	$ 872,300
	Special Revenue Funds:	$2,226,400
	GF/GP:	$1,598,500
	Total:	$4,808,300[10]

Program Description:
This appropriation funds the office of fire safety. The Office's responsibilities include inspections on new construction, reviews of architectural drawings, and fire-safety inspections for schools, prisons and foster care. It also provides certification programs for fire inspection and quality standards.

Recommended Action:
Fire-safety inspection should be outsourced to private, for-profit inspectors. Outsourcing inspections to one or more firms could reduce the cost of providing such a service by at least 20 percent. Approximate savings from outsourcing office of fire safety duties could exceed $900,000. In 1997 the Mackinac Center for Public Policy profiled one private fire safety inspector in the spring edition of Michigan Privatization Report. Jim Schifiliti of Fire Safety Consultants Inc. has worked under contract with the state of Illinois and 60 municipalities, inspecting such "critical care" units as mental health facilities and public schools. **Savings: $961,660.**

III. Management Services

Program: Administrative services

Appropriation:	Federal Funds:	$ 344,200
	Special Revenue Funds:	$5,319,500
	GF/GP:	$ 243,400
	Total:	$5,907,100[11]

Program Description:
This appropriation funds Administrative Services that provide administrative support for the "general administration of the Department" of Consumer and Industry Services.[12]

Recommended Action:
With the elimination of approximately 14 percent of the Consumer and Industry Services budget comes the ability to downsize these appropriations commensurately, producing a savings of approximately $826,994. This is an estimate only, and a detailed analysis of the impact of program reductions is needed to determine actual savings. **Savings: $826,994.**

Program: Special project advances

Appropriation:	All from Special Revenue Funds:	$740,000
	Total:	$740,000[13]

Program Description:
This appropriation funds CIS-sponsored conferences and other general activities.

Recommended Action:
With the elimination of approximately 14 percent of the Consumer and Industry Services budget comes the ability to downsize these appropriations commensurately, producing a savings of approximately $103,600. This is an estimate only, and a detailed analysis of the impact of program reductions is needed to determine actual savings. **Savings: $103,600.**

IV. Public Service Commission

Program: Low-income/energy efficiency assistance

Appropriation:	All from Special Revenue Funds:	$60,000,000
	Total:	$60,000,000[14]

Program Description:
This appropriation funds the low-income/energy office efficiency fund. This program was developed as part of the state's 2000 electricity industry restructuring legislation. Its purpose is to provide energy assistance to Michigan residents who cannot afford to pay their utilities. The goals of the program include protecting low-income families from having their utilities shut off. In addition, this appropriation may subsidize grants to organizations working to develop better "alternative" energies such as solar and wind power.[15]

Recommended Action:
This program should be eliminated. Institutions of civil society have been helping low-income people and families pay their utility bills since centralized power companies began distributing energy directly to homes. Neighbors, religious organizations, families, and civic groups have and continue to provide such assistance. They could do more if government refrained from crowding out their efforts with programs of its own. Nonprofit charity groups such as the Salvation Army, United Way, and Citizens Energy have also provided cash assistance. Regarding government grants for developing solar and wind power, these could be eliminated as well. The alternative energy industry should be required to seek private investors, which provides much greater accountability and success, than investments by bureaucrats. Indeed, government grants may actually hamper development of such products. **Savings: $60,000,000.**

V. Occupational Regulation

Program: Code enforcement

Appropriation:	All from Special Revenue Funds:	$7,902,000
	Total:	$7,902,000[16]

Program Description:
This appropriation funds code enforcement. This provides support for each of the five divisions within the Bureau of Construction Codes. These divisions are the Plan Review Division, the Electrical Division, the Mechanical Division, the Plumbing Division, and the Barrier-Free Design Program, each of which fulfill different responsibilities.[17] The program funds state inspections of buildings and other trade-related work, and issues permits as evidence that work (new plumbing and wiring, for instance) meets established construction codes.

Recommended Action:
The majority of positions funded by this line item can be outsourced to private, for-profit businesses. While the state may wish to maintain employees for contract management, to act as final arbiters on matters of code interpretation, and to oversee the licensing of new professionals in the building trades, actual inspections may be carried out by private inspectors under contract with the state. The state is already familiar with outsourcing for this type of work since it appropriates more than $1 million annually for "code enforcement flexibility," which provides the Michigan Department of Consumer and Industry Services with funds to hire outside contractors to help meet additional inspection needs of the department.

The 52 inspectors employed by the state to make building, mechanical, electrical and plumbing inspections cost $3,435,172 in salary and benefits. Shaving 20 percent off the total cost of this program by outsourcing to the private sector could save the state $1,580,400. And this doesn't include savings from not having to purchase equipment and other office supplies for state inspectors. Twenty percent savings is not uncommon for such services. **Savings: $1,580,400.**

Program: Boiler inspection program

Appropriation:	All from Special Revenue Funds:	$2,201,800
	Total:	$2,201,800[18]

Program Description:
This appropriation funds the Boiler Inspection Program. The Board of Boiler Rules runs this program. The Board is comprised of 11 members and performs the following duties: prescribes rules for boilers; provides for the licensing of boiler inspectors, installers, and repairers; sets fees for licenses, permits, inspections, and certificates; provides penalties for the violation of codes, rules, and standards.

Recommended Action:
The Boiler Inspection Program should be eliminated. According to a Department of Consumer and Industry Services, 45 percent of Michigan's more than 73,000 registered boilers[19] already are inspected privately by insurance companies. The state currently inspects uninsured boilers, while insurance companies inspect insured boilers. This policy should change, with boiler owners assuming full responsibility for insuring and inspecting their boilers without state intervention. **Savings: $2,201,800.**

Program: Elevator inspection program

Appropriation:	All from Special Revenue Funds:	$2,287,000
	Total:	$2,287,000[20]

Program Description:
This appropriation funds the Elevator Inspection Program. This program is designed to ensure safe operation and installation of Michigan's escalators, wheelchair lifts, lifting and lowering devices, dumbwaiters, and passenger elevators, and was established to prevent casualties and injuries due to mechanical failure or human error. The elevator inspection program also licenses elevator contractors.

Recommended Action:
Like boiler inspections, this program should no longer be a state function. The owners of buildings and their insurers have a compelling financial interest in making certain elevators are in safe working order. **Savings: $2,287,000.**

Program: Local manufactured housing communities inspections

Appropriation:	All from Special Revenue Funds:	$250,000
	Total:	$250,000[21]

Program Description:
This appropriation funds local manufactured housing communities inspections. This program provides financial assistance to local units of government that conduct manufactured home park inspections. Public Act 419 of 1976 mandates such inspections.

Recommended Action:
This task is best shouldered by local units of government if at all. Public Act 419 of 1976 could be amended to end the state mandate for such inspections. There is arguably no need for government intervention between consumers and producers of manufactured homes and parks. The consumer is capable of determining whether or not he will engage in a transaction with the provider of the good. If, after purchasing the good, he believes he has been defrauded, then he can take legal action against the seller of that good. Preventive action by the state in the form of regulation only raises the costs (barriers) for people to obtain the goods they want. **Savings: $250,000.**

Program: Manufactured housing and land resources program

Appropriation:	Special Revenue Funds:	$2,625,000
	GF/GP:	$ 10,000
	Total:	$2,635,000[22]

Program Description:
This appropriation funds the manufactured housing and land resources program. This program licenses manufactured home industry participants, from parks themselves to brokers, lessors, and manufactured home "installment repairers."[23]

Recommended Action:
Eliminate this program for the same reasons identified under the "Local manufactured housing communities inspections" line item. **Savings: $2,635,000.**

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[1] Act No. 527, Public Acts of 2002, p. 1.
[2] Consumer and Industry Services, "Mission Statement," accessible at http://www.michigan.gov/cis/0,1607,7-154-10573-42377--,00.html.
[3] Act No. 527, p. 2.
[4] Ibid.
[5] Ibid.
[6] Ibid.
[7] DTE Energy web site, accessible on the Internet at http://www.dteenergy.com/community/environmental/innovations.html.
[8] Urban Options web site, "Urban Options Programs and Services," accessible on the Internet at http://www.urbanoptions.org/pages/programs.htm.
[9] Community Foundation of Greater Flint web site, "Energy Initiative Program," accessible on the Internet at http://www.cfgf.org/energyrfp.pdf.

[10] Act No. 527, p. 2.
[11] Act No. 527, p. 3.
[12] Bob Schnieder and Barb Endres, "Line Item and Boilerplate Summary, Consumer and Industry Services, Fiscal Year 2001-2002," p. 5.
[13] Act No. 527, p. 3.
[14] Ibid.
[15] U.S. Department of Health and Human Services web site, "Overview of Low-Income Restructuring Legislation and Implementation," accessible on the Internet at http://www.ncat.org/liheap/dereg/states/michigan.htm.
[16] Act No. 527, p. 5.
[17] Schneider and Endres, p. 21.
[18] Act No. 527, p. 5.
[19] Interview with Assistant Chief of the Boiler Division William Vallance, Consumer and Industry Services, by Mackinac Center for Public Policy Research Associate James Hohman Feb. 25, 2003.
[20] Ibid.
[21] Ibid.
[22] Ibid.
[23] Schneider and Endres, p. 22.

OPTION I

Department of Corrections

Appropriations Summary	Actual[1]	Recommended	Savings
Interdepartmental Grants/Transfers	$ 3,318,500	$ 3,318,500	$ 0
Federal Funds	$ 26,403,400	$ 26,199,525	$ 203,875
General Fund/General Purpose	$1,618,747,000[2]	$1,567,506,748	$51,240,252
Special Revenue Funds	$ 55,881,700	$ 53,255,010	$ 2,626,690
Gross Appropriations	**$1,704,350,600**	**$1,650,279,783**	**$54,070,817**

Two options for savings are presented in this chapter. The first offers specific recommendations to the legislature on where to cut spending. The second option involves outsourcing management of the entire system, and the savings that could be achieved.

Operating under Act 232 of 1953, the Michigan Department of Corrections (DOC) is the citizen's agent for limiting the liberty of those convicted of violating the most serious of society's legal standards of behavior. It does this through operating prisons and camps, and administering systems of probation (an alternative to imprisonment) and parole (supervision for a time after imprisonment), as well as other means of punishment. There are many crime prevention theories in the academic literature, and the department employs several of them, including incarceration, deterrence, and rehabilitation.[3] It operates as guardian, tutor, physician and counselor to those under its charge. In addition to operating its own system of facilities, the department works with counties to deal with criminals who commit less serious crimes.

The duties the Michigan Department of Corrections carries out include, but are not limited to:

- Housing lawbreakers in prisons, camps and halfway houses
- Monitoring lawbreakers on probation and parole through meetings between the lawbreaker and department officials and through electronic monitoring
- Maintaining OTIS, a web-accessible database of offenders
- Notifying crime victims and their families of prisoner activities
- Overseeing the work of prisoners in building houses and components of houses for low-income families in conjunction with Habitat for Humanity
- Operating businesses that employ prisoners to create goods and sell services to state agencies and non-profit organizations (Michigan State Industries)
- Testing prisoners, probationers and parolees for substance abuse
- Operating residential treatment centers for substance abuse
- Identifying and providing counseling (group and individual) for prisoners with mental health problems (Psychological Service Units)
- Operating a "Social Skills Development Unit" that provides services for prisoners lacking social skills and a record of self-care (such as basic hygiene)
- Providing Adult Basic Education (ABE) leading to the General Equivalency Degree (GED)
- Conducting job-training programs in 13 trades such as horticulture and auto mechanics
- Supervising low-security-threat convicts on community service projects such as washing police vehicles and maintaining parks
- Matching employers and prisoners through a computerized job-search system.

The state's correction system represents one of the largest components of state spending. Indeed, the state will spend over $1.7 billion operating the Department of Corrections during the fiscal year 2003. Only 2 percent of that amount comes from federal funds; 95 percent comes from the general fund/general purpose portion of the state budget, the area of the budget over which lawmakers have the most spending discretion.

The Department of Corrections (DOC) was responsible for administering criminal penalties to roughly 1.2 percent of Michigan's population, or 121,215 individuals as of Feb. 28, 2003.[4] It operates 42 prisons and 11 camps (including one "boot camp"), which house over 86,000 prisoners. DOC employees monitor an additional 54,000 convicts through probation and another 14,000 through parole. The department also houses approximately 450 offenders in corrections centers (halfway houses) and supervises approximately 1,000 people through electronic monitoring ("tethers"). [5] In an attempt to reduce the cost of building and operating more prison beds, the department contracts with counties to house certain inmates; in fiscal year 2001, it paid counties over $17.1 million to house nearly 4,700 offenders in county jails rather than state prisons.[6]

The DOC employs a large number of people — nearly 19,000 — to oversee this population. Roughly half of the department's employees are corrections officers (prison guards). The other half includes not only parole and probation agents, along with managers and administrative support, but social workers, teachers and medical personnel. Within and alongside a prison system, the department runs healthcare, job-training, and social-service systems.

The state attempts to help prisoners with their re-entry into society. But so do religious and secular groups such as Prison Fellowship and the Safer Foundation. Commercial firms such as Corrections Corporation of America and Cornell Corrections build and operate entire prisons for other states, often providing higher quality at a lower cost. These private-sector companies could run similar operations here. In New Mexico, 44 percent of prisoners are incarcerated under private management. In Michigan, less than 1 percent are managed privately.

I. Executive

Program: Unclassified positions

Appropriation:	All from GF/GP:	$1,313,600
	Total:	$1,313,600[7]

Program: Executive direction

Appropriation:	All from GF/GP:	$8,735,800
	Total:	$8,735,800[8,9]

Program Description:
This appropriation funds unclassified positions and executive direction programs that provide support services to the director of the MDOC. In other words, they are the director's staff.

Recommended Action:
With the elimination of approximately 6 percent of the MDOC budget comes the ability to downsize these appropriations commensurately, producing a savings of approximately $301,482. This is an estimate only, and a detailed analysis of the impact of program reductions is needed to determine exact savings. **Savings: $301,482.**

II. Administration and Programs

Program: Substance-abuse testing and treatment

Appropriation:	Federal Funds:	$ 2,912,500
	GF/GP:	$17,163,000
	Total:	$20,075,500[10,11]

Program Description:
This appropriation funds programs funded under a U.S. Department of Justice grant (Residential Substance Abuse Treatment for State Prisoners), which provides a 272-bed, in-prison "therapeutic community" for low-risk prisoners nearing their release date. In-house programs are followed by community care. The program is conducted at Cooper Street Correctional under a contract with Western Michigan University.

Recommended Action:
The state could contract out for the provision of all substance-abuse programs with for-profit or non profit firms, such as Wackenhut, Inc., Corrections Corporation of America, or Cornell Corrections, Inc.

To the DOC's great credit, drug abuse among prisoners has declined dramatically in Michigan, from 9 percent to 0.5 percent in roughly a decade.[12] Maintaining a captive audience, conducting strict surveillance, and limiting prisoners' contact with the outside world helps facilitate success.

This decrease in drug use has been accompanied by a huge increase in spending on substance-abuse programs. Since 1990, spending has increased 1,700 percent, going from $1,306,700 to $23,869,150.[13] In large measure, this is due to vigorous expansion of treatment. The number of admissions for outpatient and residential treatment of offenders in camps or prisons jumped from 579 in 1989 to 5,806 in 2001, and community residential program (halfway houses) admissions increased from 382 to 1,773 during the same time. The increases were particularly dramatic for offenders on probation and parole: from 67 to 8,656 for parolees and from 0 to 4,441 for probationers.[14] For 2001, the treatment was roughly split between outpatient (5,004 individuals) and education (5,121), with a smaller number (762) in residential programs.[15]

Using community groups to provide substance-abuse counseling and services could save the state millions — and promote a stronger civil society. Privately run prisons and jails, for example, show promise of getting better results at a lower cost. The Dallas County (Texas) Judicial Treatment Center is a privately managed operation, owned by Cornell Corrections, Inc. This 300-bed residential, community-based treatment program has won favorable notice from the Council of State Governments, which commended the program for its "significantly lower arrest rates" for offenders who completed the program. The 11 percent recividism rate (after one year) was half the rate of non-participants, and won the facility a "best practice" award from the American Correctional Association.[16] In Florida, the state's Corrections Commission observed that private prisons "provided additional educational, vocational, substance abuse and other programs for inmates, whereas state-operated facilities have not kept pace with providing programs." Inmates in Minnesota gave higher marks to substance-abuse programs in privately run prisons than to those in government-run prisons.[17] Savings of 7 to 10 percent are not uncommon when such programs are outsourced to for-profit groups. When estimating the savings for this section of the budget, the Mackinac Center for Public Policy will use 7 percent. **Savings: $1,405,285.**

III. Field Operations Administration

The Field Operations Administration is, broadly speaking, responsible for overseeing convicts who are not in the state's prisons. It is responsible for community corrections, parole, the Special Alternative Incarceration program ("boot camp"), and probation and parole.

Program: Field operations

Appropriation:	Special Revenue Funds:	$ 8,200,900
	GF/GP:	$113,752,800
	Total:	$121,953,700[18]

Program Description:
This appropriation funds field operations which includes the personnel costs of parole and probation agents, their clerical and administrative staff, office expenses, and the community work service crews.

Recommended Action:
Michigan's probation and parole system should be modeled after the bail system, which uses private incentives and actors to achieve important public goals, at minimal cost to the taxpayer. The state should test the viability of such a plan with a pilot program in several small counties and in a portion of a larger county.

Bail agents, typically used in pre-trial situations, posts the bond of a defendant, in exchange for a percentage, often 10 percent of the bond. The bail agent has a powerful incentive, then, to make certain that the defendant actually shows up in court — if he does not, the agent loses not just 10 percent of the bond amount, but all of it. Bond agents may use a variety of methods, such as requiring a family member to co-sign the bond, to guarantee their success. Agents also use bounty hunters, typically other bondsmen or private investigators, who work on a part-time basis, to recover fugitives. Like the bondsman, a bounty hunter has a powerful incentive to succeed: no recovery, no pay.

With these financial incentives in place, the private bail system works well — and at no public cost — compared with public release programs. According to a Department of Justice study, only 15 percent of felony defendants on surety (monetary) bonds fail to appear, compared with 26 percent who are released on their own recognizance, and 42 percent for those released with unsecured bonds. Moreover, felony defendants released on surety bonds had a 9 percent re-arrest rate; those released on recognizance and unsecured bonds were re-arrested at rates of 15 and 16 percent, respectively.[19]

Under the current system of probation and parole, offenders are subjected to a number of requirements such as getting a job or enrolling in school, avoiding known felons, and reporting to probation and parole agents. Under a privatized probation and parole system, in exchange for release, the offender would have to post a bond, the amount for which would be set by the courts or a parole board. Those offenders who violate the terms of their probation or parole would lose this money, which could then be used in the criminal justice system.

Many offenders would require the help of a bondsman, who would then (most likely) enlist family members or friends as co-signers. Money would come from the offender's assets (where they exist), his family and friends, wages earned either in prison or in the free labor market. As is the case with pre-trial bail, bondsmen would have a strong incentive to monitor the behavior of their charges, and might employ bounty hunters to pursue absconders.

This financial obligation would integrate offenders back into their communities, friends and families, who would have a greater stake in helping the offender stay straight. Tying the offender back into the community is a key element in reducing recidivism. This would, of course, benefit the broader civil society through reduced crime and reduced spending on criminal law enforcement.

As a recent study on "Broken Windows Probation" pointed out, "Achieving the full value of probation [and by extension, parole] … will require that a long-term commitment be made to investing in and restoring *the community* to the business of offender supervision."[20] Broken Windows is a term used by the Manhattan Institute, a New York-based research institute, for not letting vandalism go unchecked. The idea is that if vandalism, for instance, goes unchecked, people will conclude that officials don't care, and vandalism will increase. Making an offender's status on probation or parole more subject to his or her family and friends, who have a financial stake in the offender's integration into civil society, can be a key first step into a better system of social integration for ex-convicts.

The system would probably need to retain at least some use of government employees. Public policy in Michigan already calls for offenders to make at least partial payment for their custody and oversight; this principle could be applied to an arrangement of private-market bonds for probationers and parolees. But by shifting the risk of offender relapse to private bondsmen, offenders and their families, the taxpayers would save perhaps 90 percent of the current cost of probation and parole. A pilot program could aim for a 10 percent system-wide savings, or $12 million.

If a pilot program were successful, a statewide application could allow the state to do away with some of its other, non-prison sentences, such as those to corrections centers (halfway houses for prisoners nearing the end of their sentences). Offenders subjected to electronic monitoring could be supervised under a privatized probation and parole system as well. **Savings: $12,195,370.**

Program: Loans to parolees

Appropriation:		
	All from GF/GP:	$294,400
	Total:	$294,400[21]

Program Description:
This appropriation funds a program whose goal, as stated by department policy, is to provide parole prisoners with "reasonable maintenance and subsistence for a two-week period."[22] Parolees are to repay the money within 180 days of receipt.

Recommended Action:
This program should be eliminated. While the goal of helping out ex-prisoners adjust to life outside is worthy and even in the state's interest, a revolving loan fund could be turned over either to private bail agents or nonprofit groups that are interested in helping felons as they re-enter society. **Savings: $294,400.**

Program: Parole/probation services

Appropriation:		
	All from Special Revenue Funds:	$2,455,300
	Total:	$2,455,300[23]

Program Description:
This appropriation funds administrative costs, staff training and counseling, and employment assistance for offenders.

Recommended Action:
If parole and probation services are turned over to private bail agents, the need for training state employees to perform these functions could decrease dramatically — perhaps by half. **Savings: $1,227,650.**

Program: Corrections centers

Appropriation:		
	Special Revenue Funds:	$1,404,800
	GF/GP:	$7,627,700
	Total:	$9,032,500[24,25]

Program Description:
This appropriation funds Corrections centers. Corrections centers, part of community residential programs, are supervised living arrangements other than prisons. They are meant for convicts who are nearing their time of parole. Some prisoners live in a center with 24-hour security coverage, while others are placed on electronic monitoring. Prisoners must pay for the cost of their room and board if housed in a center, or for the cost of electronic monitoring, if they live on their own.

Prisoners who have committed certain crimes, such as sex crimes or drug trafficking, are not eligible for this program. Most prisoners who enter these programs do so in the last six months before their eligibility for parole. All those prisoners involved must be enrolled in a school or training program, or working. Corrections centers will be phased out by the Truth in Sentencing law, which will make those covered by the law ineligible for release from prison before the completion of a minimum sentence.[26]

Recommended Action:
These convicts are, of all people under the supervision of the department, perhaps the most interested in living in compliance with the law. Applying the private bondsman model to the community corrections operations could

produce large savings. For the purposes of estimating possible savings the Mackinac Center for Public Policy will use the 10 percent figure referenced in the bondsman program, above. **Savings: $903,250.**

Program: Electronic monitoring center

Appropriation:	Special Revenue Funds:	$4,384,700
	GF/GP:	$ 100
	Total:	$4,384,800[27]

Program Description:
Funds the various centers across the state that monitor prisoners by means of electronic surveillance (tethers).

Recommended Action:
Again, a private bondsman market is a way for the state to use the private interests of bondsmen and prisoners and their families to achieve the public interest. For purposes of estimating savings from this line item, the 10 percent figure referenced in the bondsman program above will be used. **Savings: $438,480.**

IV. Correctional Facilities Administration

Program: Academic/vocational programs

Appropriation:	GF/GP:	$37,304,900
	Total:	$37,304,900[28,29]

Program Description:
The DOC offers adult basic education programs to all prisoners, aimed at helping them pass the GED exam. The department also offers training in 13 trades, among them: horticulture, custodial maintenance technology, building trades, food-service management, automobile mechanics, visual graphics technology, and optical technician work.[30] Unions, contractor associations, and private businesses are better able to provide such training, since they are more aware of market conditions and what skills are required for a particular job.

Recommended Action:
The state should eliminate this program by turning over all educational and vocational programs to private, for-profit and non-profit groups. Community activists, prison-focused nonprofits, and unions have an interest in promoting a steady supply of qualified, competent, honorable ex-convict workers, and are in a better position to understand what job skills will be needed in the workplace. **Savings: $37,304,900.**

OPTION II

Appropriations Summary	Actual	Recommended	Savings
Interdepartmental Grants	$ 3,318,500	$ 2,820,725	$ 497,775
Federal Funds	$ 26,403,400	$ 22,442,890	$ 3,960,510
GF/GP	$1,618,747,000[31]	$1,377,825,325	$240,921,675
Special Revenue Funds	$ 55,881,700	$ 47,499,445	$ 8,382,255
Gross Appropriations	**$1,704,350,600**	**$1,450,588,385**	**$253,762,215**

States across the country have been grappling with how to operate their prison systems as efficiently and effectively as possible. One option growing in popularity is outsourcing prison management. In Texas, Tennessee and also here in Michigan, private firms have lowered the cost of running corrections systems. The idea could be further explored in Michigan, since taxpayers, state officials, and prisoners themselves could derive tremendous benefits.

Although the state of Michigan has not engaged in privatization on a large enough scale to produce the kinds of savings potentially available, it has experimented with the idea with good results. In 1999, the state contracted with a private firm, Wackenhut Corrections Corporation, to build and operate a single correctional facility in Baldwin. Opened in 1999, the Michigan Youth Correctional Facility has space for 450 men under the age of 20. The DOC estimates that the facility saves between $6,975 and $19,125 per day based on comparison with state-run prisons. On a per-year basis, this comes to between $2.5 million and $6.9 million annually — for just one facility.

Such savings are not uncommon. A survey of 28 studies of prison privatization by the Reason Foundation, a Los Angeles-based research institute, found that virtually all private prisons save money — typically between 10 and 14 percent of the cost of government prisons.[32] Three recent studies done by Louisiana State University, the Arizona Department of Corrections, and the state of Florida found cost savings from 3.75 percent to 14 percent, with no decrease in the quality of services.[33] The Florida study found that private prison construction costs in Florida were 24 percent lower than they would have been had the state built its own facilities.[34]

Cost savings is not the only reason units of government adopt privatization for building and/or operating correctional facilities. Privatization also:

- Relieves overcrowding.

Governments can increase inmate housing capacity faster by contracting with the private sector. Private firms in Pennsylvania, for example, built a prison in two years less than it took the state to build a similar prison nearby — and for $38 million less — while saving the county in which it was built $1.5 million annually in lower debt costs. In Houston, a new Immigration and Naturalization Service detention facility was expected to cost $26,000 per bed and take 30 months to build, working through normal government construction procedures. A private firm did the job for $14,000 per bed in less than six months.[35]

- Improves quality.

States can improve quality when they use contractors. A 2002 review of 18 prison quality studies by the Reason Foundation found that 16 conclude that privately run prisons performed at least as well as government-run prisons.

By some measures the private prisons do even better. The American Corrections Association (ACA) is a private, nonprofit group that operates as a private regulatory body — ensuring that the services of its members meet certain standards before they receive accreditation. In order to earn ACA accreditation, a prison must meet guidelines that include staff training, fiscal controls, food service, sanitation, and safety and emergency procedures. The Association maintains 19 unique manuals of standards, each of which applies to a different type of correctional facility.[36] While only 10 percent of America's 48,000 government-run prison facilities are accredited by the ACA, 44 percent of privately run facilities are so accredited.[37]

The Harvard Law Review recently looked at studies of public and private prisons to determine whether the quality of prison services suffered when they were delivered privately. According to the author, ". . . [N]one of the more rigorous studies finds quality at private prisons lower than quality at public prisons on average, and most find private prisons outscoring public prisons on most quality indicators."[38]

- More innovative.

Private firms can offer states more flexibility in planning and designing prisons and prison operations. Because they are subject to market competition, they must innovate as a matter of survival. For instance, a private prison administrator discovered that the Virginia Department of Corrections maintained expensive warehouses for food, out of fear that deliveries would not reach prisons. This long-standing custom first developed when food was delivered to prisons by pack mules. The system simply had no motive to change until a private firm was hired to save the state money.[39] In Florida, privately run prisons have introduced more advanced locking systems, a greater use of camera surveillance, and a host of other innovations.[40]

While Michigan has only experimented with prison privatization, other states have done far more and with great success. In New Mexico, for example, 44 percent of state and federal inmates are housed in facilities under private management. In Oregon the number is 43 percent. By comparison, only 0.9 percent of all Michigan inmates are incarcerated under a private management system.[41]

No state has privatized the management of its entire correctional system. However, one state, Tennessee, came close to being the first, but was thwarted by political pressure to abandon the move in 1998. Tennessee expected to save more than 22 percent of its corrections budget annually — or $100 million — by contracting with Corrections Corporation of America, a private, for-profit prison management business.[42] If Michigan were to contract with such a corporation and shave just 15 percent from its corrections budget, the state would see annual savings of $240 million. **Savings**: **$240,921,675.**

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[1] Act No 524, Public Acts of 2002, p. 2

[2] Governor Engler cut the state corrections budget by $12,602,500 through Executive Order 2002-22. The majority of these cuts, effect specific institutions and would only reduce Option I savings by $1,077,000.

[3] Incarceration refers to the fact that if criminals are in prison, they are unable to commit other crimes. The theory of deterrence holds that would-be criminals will not commit crimes if they know that punishment awaits, while rehabilitation involves changing the thought patterns of prisoners so that they will not commit further crimes once released.

[4] Telephone interview of Leo Lalonde, director, public information office, Michigan Department of Corrections (MDOC), by Mackinac Center for Public Director of Fiscal Policy Michael LaFaive, Feb. 28, 2003.

[5] The U.S. Census Bureau estimated Michigan's population in 2001 at 9,990,817. The number of institutions and offenders comes from the (MDOC) "2001 Annual Report," p. 61-62, which is accessible on the Internet at http://www.michigan.gov/corrections/1,1607,7-119-1441_1523---,00.html. Population estimates are accessible on the Internet at http://quickfacts.census.gov/qfd/states/26000.html.

[6] MDOC Annual Report 2001, p. 18.

[7] Act No. 524, p. 2.

[8] Ibid.

[9] This appropriation was reduced by $100,000 in Gov. Engler's Executive Order 2002-22.

[10] Ibid.

[11] This appropriation was reduced by $200,000 in Gov. Engler's Executive Order 2002-22.

[12] MDOC web site, "Positive Drug Tests Reduced," accessible on the Internet at http://www.michigan.gov/corrections/0,1607,7-119-9741_9745-29054--,00.html.

[13] MDOC web site, "Increase in Funding," accessible on the Internet at http://www.michigan.gov/corrections/0,1607,7-119-9741_9745-29060--,00.html.

[14] MDOC web site, "Number of Offenders in Treatment," accessible on the Internet at http://www.michigan.gov/corrections/0,1607,7-119-9741_9745-29063--,00.html.

[15] MDOC web site, "Treatment in Prisons and Camps," accessible on the Internet at http://www.michigan.gov/corrections/0,1607,7-119-9741_9745-29066--,00.html.

[16] Becca Hamrin, "The Straight Dope: Drug Testing and Treatment in the Correctional System," State Trends, Council of State Governments, Spring 1999, p. 3-4, accessible on the Internet at http://stars.csg.org/trends/1999/spring/sp99st3.pdf. See also "Third Quarter News," home page of Prof. Charles W. Thomas, accessible on the Internet at http://web.crim.ufl.edu/pcp/html/398news.html, and Segal and Moore, "Weighting the Watchmen: Evaluating the Costs and Benefits of Outsourcing Correctional Services, Part II: Reviewing the Literature on Cost and Quality Comparisons" Reason Public Policy Institute, Part II, p. 11.

[17] Segal and Moore, Part II, p. 13, 16.

[18] Act No. 524, p. 2.

[19] Much of the material in this section is derived from Morgan O. Reynolds, "Privatizing Probation and Parole," National Center for Policy Analysis Policy Study 233, June 2000, accessible on the Internet at http://www.ncpa.org/studies/s233/s233.html.

[20] Reinventing Probation Council, "Transforming Probation Through Leadership: The 'Broken Windows' Model," Center for Civic Innovation at The Manhattan Institute and the Robert A. Fox Leadership Program at the University of Pennsylvania, July 2000, p. 3, accessible on the Internet at http://www.manhattaninstitute.org/html/broken_windows.htm.

[21] Act No. 524, p. 2.
[22] Marilyn Peterson and Tumai Burris, "Line Item and Boilerplate Summary: Corrections Fiscal Year 2001-2002," p. 7.
[23] Act No 524, p. 2.
[24] Ibid.
[25] This appropriation was reduced by $27,000 in Gov. Engler's Executive Order 2002-22.
[26] Profile taken from "Community Residential Programs" section of the MDOC website, accessible on the Internet at http://www.michigan.gov/corrections/0,1607,7-119-1435-5035--,00.html.
[27] Act No. 524, p. 2.
[28] Ibid., p. 3.
[29] This appropriation was reduced by $750,000 in Gov. Engler's Executive Order 2002-22.
[30] MDOC web site, "Education: The Highest Priority," accessible on the Internet at http://www.michigan.gov/corrections/0,1607,7-119-9741_9747---,00.html.
[31] This is the actual appropriation based on Act No. 524. However, in December, 2002 Gov. John Engler signed Executive Order 2002-22, which reduced spending on specific correctional facilities by $12,602,500. The Mackinac Center for Public Policy has subtracted this figure from the original GF/GP appropriation before calculating possible savings from outsourcing the entire system.
[32] Segal and Moore, Part II, Tables 2a, 2b, and 2c, p. 3.
[33] Alexander Volokh, "A Tale of Two Systems: Cost, Quality, and Accountability in Private Prisons," Harvard Law Review, May, 2002, Vol. 115, No. 7, p. 1868.
[34] Ibid.
[35] Segal and Moore, "Weighing the Watchman: Evaluating the Costs and Benefits of Outsourcing Correctional Services, Part I, Employing a Best-Value Approach to Procurement," p. 3.
[36] American Corrections Association, "Facts About the Accreditation Process," p. 7. This document is not dated.
[37] Segal and Moore, Part I, p. 12.
[38] Volokh, from the section entitled, "Evidence from the Studies," p. 1877.
[39] Segal and Moore, Part I, p. 4.
[40] Office of Program Policy Analysis and Government Accountability, Florida Legislature, "Review of Bay Correctional Facility and Moore Haven Correctional Facility," Report No. 97-68, April, 1998.
[41] U.S. Department of Justice, Bureau of Justice Statistics Year-End 2001 Report, "Prisoners in 2001," p. 8.
[42] National Conference of State Legislatures web site, "Tennessee Considers, Retreats from Large-Scale Prison Privatization," ," May, 1998. Accessible on the Internet at http://www.ncsl.org/programs/cj/cjl40598.htm.

Department of Education

Appropriations Summary	Actual[1]	Recommended	Savings
Interdepartmental Grants/Transfer	$ 1,000,000	$ 1,000,000	$ 0
Federal Funds	$165,731,500	$176,430,300	$(10,698,800)
General Fund/General Purpose	$ 27,886,600	$ 16,736,600	$ 11,150,000
Special Revenue Funds	$ 19,774,900	$ 28,777,200	$ (9,002,300)
Gross Appropriation	**$214,393,000**	**$222,944,100**	**$(-8,551,100)**[2]

The Michigan Department of Education (MDE) is the administrative arm of the Michigan State Board of Education. The board appoints the state's superintendent and implements federal and state mandates in education. The most effective way to improve Michigan's K-12 system would be to allow full educational choice so that parents could choose the best and safest public, private or home schools. The Mackinac Center for Public Policy has devised several school choice policy proposals in Michigan, including universal tuition tax credits. In the short term, the MDE should move to eliminate the following programs that are unnecessary to the basic education of Michigan's children.

I. Central Support

Program: Central office administration

Appropriation:		
	Special Revenue Funds:	$31,900
	Total:	$31,900[3]

Program Description:
This administrative expenditure should be eliminated in conjunction with the elimination of the state driver-training programs described below.

Recommended Action:
If the recommendations regarding elimination of the state driver-training programs are implemented, then the administration of those programs could be eliminated as well. **Savings: $31,900.**

II. Grants and Distributions

Program: State programs

Appropriation:		
	Special Revenue Funds:	$ 9,094,300
	GF/GP:	$11,150,000
	Total:	$20,244,300[4]

Program Description:
This appropriation subsidizes several state programs. During the 2003 fiscal year grants will be distributed to the following programs:

Driver Education	$7,600,000
Motorcycle Safety Education	$1,200,000
Off-Road Vehicle Safety Training Grant	$294,300
National Board Certification Grant	$100,000
School Readiness Grants	$11,050,000

The first three grants are self-explanatory. The National Board Certification Grant pays 50 percent of the fees for teachers who wish to be certified by the National Board for Professional Teaching Standards. The School Readiness Grants are given to private organizations to help support pre-Kindergarten education for children.

Recommended Action:
The three state-run vehicle education programs should be eliminated. Individuals who require vehicle training should pay for such programs themselves. Indeed, this is already being done.[5]

The National Board Certification grant program should also be eliminated. There is little evidence that certification by the National Board of Professional Teaching Standards is effective in raising student achievement.[6] However, if teachers desire such certification they are free acquire it using their own resources. Many different professionals seek certification or board membership and are required to pay from their own funds. There is no reason to treat teaching professionals any differently than economists, accountants, or financial planning professionals.

The school readiness grants should be eliminated also. Parents have a clear incentive — the academic success of their child — to ready their children for formal education. Supplemental assistance, if necessary, should be provided and funded by local community organizations. **Savings: $20,244,300.**

Programs to be Transferred to Education Department

Program: Michigan merit award board/MEAP administration

Appropriation:	Federal Funds:	$10,698,800
	Special Revenue Funds:	$18,128,500
	Total:	$28,827,300[7]

Program Description:
The Michigan Department of Treasury administers the program through which Michigan students receive scholarship money for scoring well on the Michigan Education Assessment Program achievement test.

Recommended Action:
This program should be transferred back to the Department of Education. There is little reason for the MEAP test and the accompanying scholarship program to be in the Department of Treasury. **Transfer: $28,827,300.**

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[1] Act No. 522, Public Acts of 2002, pp 1-5. Note that the gross appropriation is much lower than previous years since much of the federal "No Child Left Behind Act" funding has been integrated into the state school aid appropriations bill, Act No. 191, Public Acts of 2002.

[2] This figure is negative due to the Mackinac Center for Public Policy recommendation that the Michigan merit award board/MEAP Administration be transferred to the Department of Education from the Department of Treasury.

[3] Act No. 522, p. 2.

[4] Ibid, p. 5.

[5] A number of private companies, such as Sears Authorized Driving School, Inc. and ABC Driving School in Detroit already offer private driver education classes. See Peter Leeson, "On the Road to Privatization," Michigan Privatization Report, Spring 1998, accessible on the Internet at http://www.mackinac.org/642.

[6] See, for example, Danielle Dunne Wilcox, "The National Board for Professional Teaching Standards: Can It Live Up to Its Promise?" in "Better Teachers, Better Schools," Marci Kanstoroom and Chester E. Finn, Jr., editors, Washington, D.C., Thomas B. Fordham Foundation, 1999.

[7] Ibid, p. 13.

Department of Environmental Quality

Appropriations Summary	Actual[1]	Recommended	Savings
Interdepartmental Grants/Transfers	$ 14,042,900	$ 14,042,900	$ 0
Federal Funds	$131,521,400	$130,927,005	$ 594,395
General Fund/General Purpose	$ 69,442,500	$ 68,915,920	$ 526,580
Special Revenue Funds	$189,812,800	$182,458,425	$7,354,375
Gross Appropriation	**$404,819,600**	**$396,344,250**	**$8,475,350**

The Department of Environmental Quality (DEQ) was created by Executive Order in 1995 as the state's principal regulatory agency for air, land, water and other natural resources. With a full-time staff numbering 1,679, the department monitors air and water quality, administers state and federal discharge and emissions permits, enforces public compliance with numerous environmental requirements, and promotes pollution prevention.

By creating the DEQ, then-Gov. John Engler sought to consolidate regulatory functions previously administered, along with various recreation and conservation programs, by the Department of Natural Resources. Proponents say the re-organization eliminated a severe backlog of environmental permit applications, streamlined bureaucracy, and improved regulatory accountability.

Further improvement is possible. A proliferation of duplicative environmental regulations continues to impose ever-greater burdens on both the DEQ and the public, exacerbating Michigan's budget crisis. State government cannot afford to duplicate environment-related services that are already provided by businesses, private landowners, or environmental groups. Neither can they afford to undertake programs that yield marginal benefits. Priorities must be set to maximize environmental improvements. The programs identified below fall into one or both of these categories.

I. Clean Michigan Initiative

Program: Clean Michigan Initiative – administration

Appropriation:	All from Special Revenue Funds:	$2,885,700
	Total:	$2,885,700[2]

Program Description:
This appropriation funds the administration of the Clean Michigan Initiative (CMI). This initiative is a $675-million bond fund for redeveloping contaminated sites, protecting and improving water quality, abating lead contamination, revitalizing community waterfronts, enhancing recreational opportunities, and cleaning up contaminated sediments in lakes, rivers and streams. By state law, CMI funds are not allowed to supplant General Fund appropriations, and administrative costs are supposed to be capped at 3 percent of expenditures.

Recommended Action:
These funds should be withdrawn. The use of CMI bond funds dramatically increases the state's debt load. A recent study by the Mackinac Center for Public Policy found that taxpayers will repay about $1.60 for every dollar spent on CMI projects.[3] Thus, it is fiscally irresponsible to use CMI funds for administrative purposes, especially when the appropriation may be supplanting General Fund support in violation of state law. In CMI's case, funds for administration are being distributed among five different DEQ departments, only one of which (Surface Water Quality) is receiving new CMI program funds. **Savings: $2,885,700.**

II. Drinking Water Protection and Radiological Health

Program: Laboratory services administration

Appropriation:	Federal Funds:	$ 557,300
	Special Revenue Funds:	$2,542,500
	GF/GP:	$2,859,200
	Total:	$5,959,000[4]

Program Description:
This appropriation funds the administration costs of a Lansing-based laboratory that analyzes environmental samples for nearly all of the DEQ's environmental programs.

Recommended Action:
We recommend that the state seek competitive bids for the services now being performed by the laboratory aervices administration. Accurate analyses of water, air and soil samples are crucial both to protect public health and as a guide in resource management decisions. While we do not question the competency of lab personnel, a strong case can be made for outsourcing these lab functions. Competitive bidding would likely reduce lab costs while also spurring efficiency and innovation in testing procedures. According to Nicole Haskins, project scientist at LabSeek, Inc., a for-profit corporation that bills itself as "a convenient one-stop source for laboratory outsourcing," savings in the range of 10 percent to 20 percent can be achieved by outsourcing state laboratory services. For purposes of estimating savings, the Mackinac Center for Public Policy will use a figure of 15 percent. **Savings: $893,850.**

III. Environmental Response

Program: Environmental cleanup & redevelopment program

Appropriation:	All from Special Revenue Funds:	$16,544,700
	Total:	$16,544,700[5]

Program Description:
This appropriation funds the Environmental cleanup & Redevelopment program, a program which undertakes cleanup activities at contaminated sites for which a liable party will not or cannot assume responsibility. Cleanups of contaminated sites to promote redevelopment also are undertaken, as well as the administration of state matching funds for federal Superfund sites.

State law regulates how the funds are spent. Redevelopment projects cannot be funded until all Superfund-match requirements are satisfied and projects with acute contamination are funded. Any remaining funds must be evenly split between urban and non-urban redevelopment projects.

Recommended Action:
Eliminating acute threats to public health is a legitimate function of state government. Whether the DEQ accurately defines acute contamination or efficiently manages site cleanups, are issues beyond the scope of this paper. However, there is ample evidence that civil servants – no matter how resourceful – are simply less equipped than entrepreneurs to appropriately assess redevelopment prospects.

State government is, by its very nature, more receptive to political forces than to market trends. Indeed, numerous are the instances in which the state has invested tens of millions of taxpayer dollars in redevelopment schemes that failed to return the expected results. Nor is site contamination the only factor inhibiting redevelopment of "brownfield" sites. Consequently, appropriations under this line item should be restricted to the cleanup of sites posing an acute threat to public health. In the short-term, this could reduce program expenditures by $1 million annually, and even more in future years as the number of acutely contaminated sites diminishes. **Savings: $1,000,000.**

IV. Environmental Assistance Division

Program: Pollution prevention

Appropriation:		
	Federal Funds:	$ 420,800
	Special Revenue Funds:	$2,537,300
	GF/GP:	$ 52,700
	Total:	$3,010,800[6]

Program Description:
This appropriation funds four programs that assist businesses and communities with pollution prevention and waste reduction, including materials handling, recycling and composting.

Recommended Action:
This program should be eliminated. Well-intentioned though these programs are, the services they finance are widely available from private environmental firms. And to the extent that state government refrains from providing these nonessential services, environmental groups that lobby government to assume responsibility would have more incentive to focus their resources directly on voluntary and market-based waste reduction, recycling and composting. **Savings: $3,010,800.**

Program: Pollution prevention outreach

Appropriation:		
	All from Special Revenue Funds:	$300,000
	Total:	$300,000[7]

Program Description:
This appropriation funds pollution prevention outreach, a program that pays for workshops, seminars and conferences on regulatory requirements and pollution prevention.

Recommended Action:
As noted above, there is no shortage of private-sector professionals competing to provide these services. This line item should be eliminated. **Savings: $300,000.**

V. Grants

Program: Pollution prevention local grants

Appropriation:		
	All from Special Revenue Funds:	$250,000
	Total:	$250,000[8]

Program Description:
This appropriation funds the Pollution Prevention local grant, a grant for local toxic waste disposal education programs.

Recommended Action:
This grant program funds services that are already available through a range of other sources and should be eliminated**. Savings: $250,000**

Program: Radon grants

Appropriation:	Federal Funds:	$ 90,000
	GF/GP:	$ 45,000
	Total:	$135,000[9]

Program Description:
This appropriation funds a grant that subsidizes public-education and local health-department radon programs.

Recommended Action:
This grant program should be eliminated. To the extent that these activities are necessary, the DEQ Radiological Division is adequately funded to provide them. **Savings: $135,000.**

[1] Act No. 520, Public Acts of 2002, p. 1.
[2] Act No. 520, p. 2.
[3] Diane Katz, "The Clean Michigan Initiative: An Assessment," Mackinac Center for Public Policy, October 2002.
[4] Act No. 520, p. 5.
[5] Act No. 520, p. 6.
[6] Ibid.
[7] Ibid.
[8] Act. No. 520, p. 8.
[9] Ibid.

Family Independence Agency

Appropriations Summary	Actual[1]	Recommended	Savings
Interdepartmental Grants/Transfers	$ 978,800	$ 978,800	$ 0
Federal Funds	$2,754,318,050	$2,172,738,038	$581,580,012
General Funds/General Purpose	$1,176,991,300	$ 831,427,157	$345,564,143
Special Revenue Funds	$ 142,202,350	$ 137,587,585	$ 4,614,765
Gross Appropriation	**$4,074,490,500**	**$3,142,731,580**	**$931,758,920**

The Family Independence Agency (FIA) is charged with three essential tasks: "to help meet the financial, medical, and social needs of individuals and families living in Michigan who are unable to provide for themselves; assist those who are capable of becoming self-sufficient through skill building, opportunity enhancement, and family-focused services; and help protect children and vulnerable adults from abuse, neglect, and exploitation."[2]

The development of skills, the creation of opportunity and the achievement of family self-sufficiency are vital to Michigan's economic development. A civil society protects against the abuse, neglect or exploitation of citizens of Michigan who are too young, or too mentally or physically disabled, to protect themselves. The question is not whether people who need help should receive it. They should. The question is: Who can best provide the help, and who bears the most responsibility to do so?

The Family Independence Agency provides womb-to-grave care. The FIA provides food, shelter and clothing. It funds adoptions, childcare, job training, reading programs, credit counseling, and budget counseling. It makes sure children are cared for before school and after school. It seeks to inspire children, prevent their pregnancy and gang involvement, and develop children's leadership skills, their ability to manage anger, and their sense of self-sufficiency. It monitors the crime, aggression, and academic development of young people as well as their school attendance, drop-out rates, and their cultural and ethnic sensitivity.

The dollars spent are significant. The first $2.75 billion comes from the federal government. Another $1.1 billion comes from the state. Yet another $67 million comes from local governments.[3] All of this money comes from individuals, families, small businesses, and large corporations. All of these entities, banding together as communities, can and do meet enormous human welfare needs. When the state takes money from these groups it means that they have less money to improve their own lives, and those of their own families and neighbors. The resources taken by the state cannot be used by individuals and private institutions to create jobs or provide health insurance or be put to work developing new technology or medicines or be put away for a child's college fund.

The FIA budget of $4,074,490,500 amounts to almost $410 per citizen[4] or $1,075 for every household in the state.[5] These numbers do not tell the whole story, because the mission of the FIA, as stated above, is not focused on every household in Michigan. The vast majority of citizens in Michigan have no need for the services provided by the FIA because they are providing for their own needs.

The FIA's focus is primarily the poor, those who live below the poverty level as established by the federal government. With a budget of almost $4.1 billion, the FIA spends nearly $4,000 per man, woman and child below the poverty level[6] or $21,163 per poor household annually.[7]

Despite this spending, many in Michigan remain in poverty. Consider the following statewide statistics:

> 1 in 6 children are poor now. (poverty level is $17,650 for a family of 4.)
> 1 in 3 children will be poor at some point in their childhood.
> 1 in 15 lives at less than half the poverty level.
> 1 in 7 has no health insurance.[8]

It must be admitted that despite these enormous amounts of money, the system has not significantly alleviated poverty. Individuals and families are not rapidly moving out of poverty. The percentage of people who live under the federal level of poverty has remained stagnant for more than two decades despite ever-increasing amounts of spending. Governments at every level have spent more than $6 trillion fighting poverty with an endless array of government programs, yet U.S. poverty rates have generally remained where they were when President Lyndon Johnson predicted that such programs would ultimately produce "the Great Society" in 1964.

No amount of money can fulfill a community's responsibility for the well-being of its neighborhoods, a neighborhood's responsibility for the welfare of its families, a family's responsibility for the welfare or its members, or each individual's responsibility for his or her own personal welfare. What $6 trillion in government spending can do is displace the wealth that these and other mediating institutions such as religious and community service groups might otherwise use to help those less fortunate.

A strong economy, one unencumbered by unnecessary regulation and freed from extensive taxation, holds the greatest hope for the poor. Enterprise, initiative, and investment have done vastly more to alleviate human poverty than any poverty program. For much of human history, poverty was the norm. While it is troubling that of 9,938,444[9] citizens in the state, 1,021,605 live below the poverty level, it must be acknowledged that this is remarkable progress when compared even to the history of poverty in the United States.

The source of our progress has not been an extension of the role of the government but the growth of business and enterprise. As Don Mathews, economics professor at Brunswick College in Georgia has written, "By our current definition of poverty, 56 percent of families in the United States were poor in 1900. By 1947, even after the economic shocks of the Great Depression and World War II, the percentage of families in poverty had been reduced by more than one half, to 27 percent. By 1967, the percentage was halved again, to 13 percent. Notably, the decrease in poverty between 1900 and 1967 occurred before the advent of the greatly expanded welfare state. In other words, it was the free market, not government welfare, that caused the poverty rate to fall from 56 percent in 1900 to 13 percent in 1967."[10] It is interesting that the last 25 years of ever-growing government budgets, greater regulations, and more extensive government involvement in social problems have not significantly dropped the rate of poverty. The level has remained around 10 percent for the past 35 years.

This does not mean that the state should play no role. There will always be some who will slip through the cracks of particular mediating institutions. There are those who require special help or have unique situations who have not yet been helped by families, neighbors, friends, churches and communities. There are some services state government provides because private or non-profit options do not yet exist in the absence of state programs.

The behemoth FIA cannot be brought to its proper proportions overnight and this review makes no claim to accomplish this. Rather, the most glaring examples of FIA overstepping must be addressed first. Over time, as civil society begins again to take its proper place and those who predict all manner of devastation are proved wrong by experience, more levels of bureaucracy can be dismantled and their responsibilities once again shouldered by those best qualified.

I. Executive Operations

Program: Unclassified salaries

Appropriation:	Federal Funds:	$205,000
	GF/GP:	$300,800
	Total:	$505,800[11]

Program: Salaries and wages

Appropriation:	Federal Funds:	$13,309,900
	GF/GP:	$ 9,410,200
	Total:	$22,720,100[12]

Program Description:
This appropriation funds the unclassified salaries and the salaries and wages of the department. Executive Direction and the line item described as "Unclassified Positions" provide support services to the director of FIA. In other words, they are the director's staff.

Recommended Action:
With the elimination of approximately 22.7 percent of the FIA budget comes the ability to downsize these appropriations commensurately, producing an additional savings of approximately $5,272,280. **Savings: $5,272,280.**

Program: Demonstration projects

Appropriation:	Federal Funds:	$6,181,500
	Special Revenue Funds:	$1,419,300
	GF/GP:	$1,337,300
	Total:	$8,938,100[13]

Program Description:
This appropriation funds the demonstration projects of the department. The allocation for this program is distributed to a wide variety of new pilot programs being considered for continue use. Past programs have included:

- Adopt-a-House, which funds the renovation and repair of homes occupied by low-income families in Grand Traverse County.
- Independent Living Program, which counsels youths 16 years of age and older who are in foster care, or who have been in foster care, as they exit the child welfare services system.

Recommended Action:
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

These private human welfare service providers could do a great deal more if government did not: a) crowd them out with programs of its own; b) take from citizens the very money (in taxes) they might otherwise contribute to these organizations; and c) engage in charity that requires nothing of the recipient.

Michigan's government should step aside and allow charitable organizations to do the work they are most qualified to do. This would not only be of the greatest help to the poor; it also would revitalize community life by giving those more fortunate the opportunity to take personally the task of caring for their less fortunate neighbors.
Savings: $8,938,100.

Program: Commission on disability concerns

Appropriation:	Federal Funds:	$573,100
	Special Revenue Funds:	$ 33,000
	GF/GP:	$350,800
	Total:	$956,900[14]

Program Description:
This appropriation funds the commission on disability concerns. The commission staff provides training, advocacy, information and technical assistance on issues affecting individuals with disabilities.

Recommended Action:
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

Many of the most effective organizations operate without government funds and often hire and train disabled people at their own expense, and without fanfare. Some nonprofits that provide services to the disabled raise most of their money privately.

For instance, Goodwill Industries of West Michigan, Inc., a workforce development agency with a network of not-for-profit businesses whose mission is to provide work opportunities and skill development for people with barriers to employment, raises most of its money privately. With headquarters in Muskegon, and serving an 11-county area including Lake, Manistee, Mason, Newaygo, and Oceana, along with portions of Montcalm, Osceola, Mecosta, Kent and Ottawa, Goodwill has a long, successful history of providing vocational rehabilitation and employment services for people with disabilities and other special needs. The agency was founded in 1950 to meet the employment needs of persons with disabilities. Throughout the decades, Goodwill has maintained its focus on mission while changing and improving services to meet the new and emerging needs of the diverse population it serves.[15] **Savings: $956,900.**

Program: Commission for the blind

Appropriation:	Federal Funds:	$13,576,500
	Special Revenue Funds:	$ 640,000
	GF/GP:	$ 3,819,800
	Total:	$18,036,300[16]

Program Description:
The appropriation funds seven different programs: the commission for the blind, administration, rehabilitation, the business enterprise program, center for independent living, youth low vision, and client assistance program.

Recommended Action:
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

The commission for the blind is focused primarily on only one handicap — poor vision/blindness. Nonprofits already exist to serve the blind population and would no doubt work to expand their services if the opportunity presented itself. Consider just one Michigan nonprofit as an example of a civil society institution that caters to some needs of the blind and their loved ones.

Livonia's Seedlings Braille Books for Children is dedicated to increasing the opportunity for literacy among the blind. Seedlings provides high-quality, low-cost Braille books for blind children so that blind and sighted family members may read together. The books are for toddlers and preschoolers; and allow early exposure to words through the tactile page as sighted family members read the print. Print-and-Braille books are for beginning readers and allow parents' input into the early reading process. Seedlings' Braille-only books offer popular and classic literature. World Book Encyclopedia articles also are offered in Braille for students. Since 1984, Seedlings has placed over 109,000 braille books and articles into the hands of blind children throughout the United States and Canada. Seedlings has received the 1999-2000 Literacy Agency of the Year Award from Wayne County Reading Council and relies on approximately 50 active volunteers to translate, proofread and deliver its books. There is no reason to think that this organization, and others like it, couldn't increase the roles they play, in the lives of Michigan's sightless. **Savings: $18,036,300.**

II. Family Independence Services Administration

Program: Employment/training support services

Appropriation:	Federal Funds:	$13,376,600
	GF/GP:	$ 1,475,100
	Total:	$14,851,700[17]

Program Description:
This appropriation funds a program designed to assist Michigan's jobless in their pursuit of employment.

Recommended Action:
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

Relieving businesses and people of the taxes they pay to fund these programs will allow them to use their own resources to hire and train people instead of relying on government to do it. Furthermore, there are several non-profit organizations already providing such services. **Savings: $14,851,700.**

Program: Project zero

Appropriation:	Federal Funds:	$12,132,500
	Total:	$12,132,500[18]

Program Description:
This appropriation funds Project Zero. This initiative is aimed at helping people progress from needing public assistance toward self-sufficiency. The goal of Project Zero is to reduce to "zero" the number of work-ready Family Independence Program (FIP, formerly AFDC) households without earned income. Stated another way, the goal of Project Zero is to assist all FIP families who are expected to work, earn income and achieve self-sufficiency. The funds are used to help identify and remove barriers to employment by providing job-search assistance, education and training programs, and employment-related supportive services such as transportation allowances, uniforms, tools, and automobile repairs.[19]

Recommended Action:
This program should be eliminated. The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

These private human welfare service providers could do a great deal more if government did not: a) crowd them out with programs of its own; b) take from citizens the very money (in taxes) they might otherwise contribute to these organizations; and c) engage in charity that requires nothing of the recipient.

Michigan's government should step aside and allow charitable organizations to do the work they are most qualified to do. This would not only be of the greatest help to the poor; it also would revitalize community life by giving those more fortunate the opportunity to take personally the task of caring for their less fortunate neighbors. **Savings: $12,132,500.**

Program: Community services block grants

Appropriation:	Federal Funds:	$24,350,000
	Total:	$24,350,000[20]

Program Description:
This appropriation funds the block grant program. This program seeks to assist low-income individuals and families to achieve self-sufficiency and to address the causes of poverty. Funding is provided for 9 major categories: employment, education, income management, housing, emergency services, nutrition, linkages with other programs, health, and self-sufficiency.[21] Some of the funding is used to lobby the federal government to increase its support for Michigan programs aimed at helping specialized groups.

Recommended Action:
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so. See "recommended action," above, for more details. **Savings: $24,350,000.**

III. Child and Family Services

Program: Refugee assistance program

Appropriation:	Federal Funds:	$12,705,900
	Total:	$12,705,900[22]

Program Description:
This appropriation funds the Refugee Assistance Program. This program helps refugees from other nations become self-sufficient via cash, medical assistance and job training, following their arrival in the United States. These services are delivered by private providers under contract with the state.[23]

Recommended Action
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

The United States and Michigan have benefited greatly from immigration, but that does not mean that those who choose to move to the Great Lakes State from other nations should be entitled to special benefits. An outreach of Lansing's Christ Lutheran Church, the Refugee Development Center, helps refugees from around the world adjust to life in the United States. The Refugee Development Center provides orientation and education free of charge to refugees in mid-Michigan. It gives refugees an opportunity to learn to drive a car using a state-of-the-art driving simulator. It also provides the mid-Michigan community with cultural awareness education and events highlighting the cultures of different refugee groups. No government money is involved.[24] Lutheran Social Services and Catholic Social Services, while accepting some government money, both provide similar services and began doing so long before government redistributed tax dollars to them for this purpose. They could do so again. **Savings: $12,705,900.**

Program: Adoption subsidies

Appropriation:	Federal Funds:	$126,180,200
	GF/GP:	$ 78,772,600
	Total:	$204,952,800[25]

Program Description:
This appropriation funds the adoption subsidies program. The program is designed to help defray the cost of placing children with special needs, such as those with a handicap.

Recommended Action:
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

No one doubts the value of adoption and the dedication of parents who choose to adopt needy children. But the weighty decision to adopt should not be distorted to any degree by public subsidies. Indeed, one of the reasons adoption is so expensive is due to government red tape in the first place. If state officials want to reduce the cost of adopting children they should work to remove regulatory barriers, not tax one parent to subsidize the adoption decisions of another. Private groups — employers, nonprofits, and individuals — help defray the costs of adoption voluntarily. Harvard University subsidizes adoption costs for its faculty and Adopt Share, a Christian Ministry, helps subsidize adoption costs with private grants. Other organizations give out low-interest loans. A simple Internet search is an effective way to find private, civil society institutions willing to subsidize the cost of adoptions. The China Care Foundation in Greenwich, Conn. specializes in helping Americans adopt Chinese orphans (with subsidies and other assistance) who risk a life of institutionalization simply because they were born with a cleft lip or clubfoot.[26] **Savings: $204,952,800.**

Program: Adoption support services

Appropriation:	Federal Funds:	$ 8,468,100
	GF/GP:	$ 6,100,500
	Total:	$14,568,600[27]

Program Description:
This appropriation funds adoption support services. This program helps families who have adopted a child from a state foster-care program to find and access support services. The program acts as a conduit of information for persons needing assistance in locating post-adoption support services within their community.[28]

Recommended Action:
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

While the desire to assist families who have adopted a child from a state foster care program is admirable, this allocation merely spends $14.5 million pointing people in the direction of agencies that can help them. Private efforts, even Internet searches, can do the same. There are also many support groups that are organized loosely and prefer to remain discreet to avoid state attention. Michael LaFaive, Mackinac Center for Public Policy director of fiscal policy, reports that some foster parents' support groups want to avoid state involvement because many of the complaints they wish to air in the support group are critical of the state foster-care system. In addition, information on the Internet is readily available to adoptive parents.

Just one example, the Adoption Network at www.adoption.org, contains the following helpful information and it is free:

- Adoption Forums 500+ message boards related to adoption.
- Adoption Cafe Lively adoption discussion for all members of the Adoption Triad.
- Adoption Newsletters Sign up for newsletters on adoption topics.
- Adoption Mail Free e-mail @ Adoption.com. Check your e-mail from nearly any computer.
- Adoption Chat Chat live right now with others touched by adoption.
- Adoption Calendar Find out about local and national adoption conferences, workshops, and events.
- Adoption E-Cards Create and send virtual cards, hugs, flowers, and chocolates to friends.
- Adoption E-Pals Make friends with similar adoption interests.
- Share Your Story Share your adoption story, or read the stories of others.
- Adoption Poetry Let this special collection of adoption poetry move you.

- Adoption Experts Ask a question of the adoption experts.
- Adoption Lists Join E-mail discussion lists on adoption topics.

Savings: $14,568,600.

Program: Youth in transition

Appropriation:		
	Federal Funds:	$10,151,500
	GF/GP:	$ 3,202,000
	Total:	$13,353,500[29]

Program Description:
This appropriation funds the youth in transition program. This program prepares eligible foster-care teens for living on their own. It provides educational support, job training, independent living skills training, self-esteem counseling, and other programs and support to equip teens with educational, vocational, and psychological skills to function as independent adults. The program also provides subsidized job placement, pre-employment training, and job training for delinquent youth.[30]

Recommended Action:
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

The J.O.Y. Youth Center in Grand Rapids offers its services free of charge to urban youth ages 8-16. J.O.Y. offers after school recreation and crafts, homework/tutoring, and other wholesome activities. It reaches inner-city children with religious, educational, leadership, and physical training. Typically, approximately 250 children participate each week. The 25 volunteers employ a holistic approach to educating children and instilling self-worth. Children are placed in leadership roles to foster decision-making and responsibility. The J.O.Y. program is not the only private program in Michigan to offer such services.

Another example is Urban Youth Ministries in Holland, which provides at-risk youth with educational and recreational opportunities. The organization uses field trips and athletic leagues to build relationships and minister to teenagers. Young people who show interest and potential are invited to participate in vocational courses that include woodworking, bicycle repair, upholstery, cooking, and photography. **Savings: $13,353,500.**

Program: Domestic violence prevention/treatment

Appropriation:		
	Federal Funds:	$11,299,400
	GF/GP:	$ 1,849,600
	Total:	$13,149,000[31]

Program Description:
This appropriation funds domestic violence prevention/treatment programs. Support services include transportation, information and referral, and advocacy in obtaining emergency health care, legal information, financial assistance, permanent housing, and childcare.

Recommended Action:
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

While the state must play a law-enforcement role in protecting the most vulnerable of its citizens, there are many good religious and other non-profit organizations that have done excellent work in this area with trained staff, volunteers and donors who are committed to the work. For example, the Ramoth House in Grand Rapids offers battered women and their children a safe-house, crisis intervention, information and referrals, legal advocacy, housing and job assistance, transportation, child care, individual counseling and support groups. In Midland, the Shelter House does the same. Institutions such as this exist all over the state and could more easily expand, if government at all levels didn't take 40 percent of peoples' incomes to fund programs that are not superior to private-sector ones. **Savings: $13,149,000.**

Program: Teenage parent counseling

Appropriation:	Federal Funds:	$4,426,700
	Total:	$4,426,700[32]

Program Description:
This appropriation funds teenage parent counseling. This program provides supportive services, group home living, and prevention counseling for teenage parents.

Recommended Action:
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

Families, religious organizations, and non-profits can and do meet the needs of young mothers. For example, the Family Life Center in Allendale serves young women dealing with unplanned pregnancies. The Center offers a close family atmosphere by housing all of the women in one home, supervised by a live-in house parent. The young women are required to pay 30 percent of their income in rent, while another 10 percent is put into savings. They are provided a structured and caring environment to help them get on their feet. This is not the only city in Michigan to benefit from private charitable services for young mothers and mothers-to-be. **Savings: $4,426,700.**

Program: Black child and family institute

Appropriation:	Federal Funds:	$ 7,000
	GF/GP:	$ 93,000
	Total:	$100,000[33]

Program Description:
This appropriation funds the Black Child and Family Institute. This program provides health screening, physical exams, education, and tutoring for African-American families in the city of Lansing.

Recommended Action:
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

These private human welfare service providers could do a great deal more if government did not: a) crowd them out with programs of its own; b) take from citizens the very money (in taxes) they might otherwise contribute to these organizations; and c) engage in charity that requires nothing of the recipient.

Michigan's government should step aside and allow charitable organizations to do the work they are most qualified to do. This would not only be of the greatest help to the poor; it also would revitalize community life by giving those more fortunate the opportunity to take personally the task of caring for their less fortunate neighbors. **Savings: $100,000.**

IV. Public Assistance

Program: Family independence program

Appropriation:		
	Federal Funds:	$168,339,400
	Special Revenue Funds:	$ 50,449,300
	GF/GP:	$157,550,900
	Total:	$376,339,600[34]

Program Description:
This appropriation funds the Family Independence Program (FIP). FIP provides a monthly cash assistance grant for families. This cash assistance is supposed to cover the costs of personal needs such as school clothing, housing, heat, utilities, and food. The projected monthly caseload for 2003 is 92,100 cases.[35]

Recommended Action:
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

Ultimately, the goal of future political leaders should be to eliminate this expenditure in favor of a social safety net for the poor that is provided entirely by voluntary associations: charitable groups, religious organizations, neighbors and families. This can be done. Part of the damage inflicted by welfare programs has been to encourage people to wonder how we ever got along without the programs. Consequently, people find it difficult to believe the poor can be helped any other way. This is unfortunate, because today we have more means at hand to help the poor than at any other time in human history. But they can be fully released only if we lower taxes on Michigan citizens commensurately to ensure that families and individuals are in the best position to take care of their own and to donate more to social service charities.

One private group dedicated to providing a private social safety net is "New Focus National," a faith-based training organization that cultivates change in families' finances and relationships so that they can move from the welfare rolls to self-sufficiency. Organizations such as this exist to serve Michigan citizens, in one form or another, in virtually every community in Michigan.

The greatest need of these families and individuals is jobs. In addition to examining how religious and community groups are already meeting the needs of the poor, the state must also consider how some regulations stifle opportunities for the unemployed, and for low-income workers. **Savings: $18,816,980.**

Program: Food assistance program

Appropriation:		
	Federal Funds:	$833,011,200
	Total:	$833,011,200[36]

Program Description:
This appropriation funds the food assistance program. The goal of this program is to raise the food purchasing power of low-income persons.

Recommended Action:
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

Ultimately, the goal of political leaders should be to eliminate this expenditure in favor of a state social safety net for the poor that is provided entirely by voluntary associations: charitable groups, churches, neighbors and families. The primary need of most people in the food assistance program is not food, it is a job that will enable them to use their own resources to purchase food. For those who still are unable to find work and need food, several good non-governmental options exist. One example of such a program is Hidden Harvest, located in Saginaw. Hidden Harvest is a "food rescue" program that collects surplus food from restaurants, food wholesalers, grocery stores, and other health department-certified sources. This food is then delivered in a refrigerated truck to soup kitchens, shelters and other agencies serving hungry people. Each year Hidden Harvest obtains and distributes more than 225,000 pounds of food on a budget of less than $10,000. **Savings: $41,650,560.**

Program: State emergency relief

Appropriation:	Federal Funds:	$14,795,600
	GF/GP:	$30,991,500
	Total:	$45,787,100[37]

Program Description:
This appropriation funds the state emergency relief program. The goal of this program is to prevent serious harm to individuals and families by helping them obtain safe, decent and affordable shelter and other essentials when they face an emergency due to circumstances beyond their control.[38]

Recommended Action:
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

These private human welfare service providers could do a great deal more if government did not: a) crowd them out with programs of its own; b) take from citizens the very money (in taxes) they might otherwise contribute to these organizations; and c) engage in charity that requires nothing of the recipient.

Michigan's government should step aside and allow charitable organizations to do the work they are most qualified to do. This would not only be of the greatest help to the poor; it also would revitalize community life by giving those more fortunate the opportunity to take personally the task of caring for their less fortunate neighbors.

There are numerous non-profit organizations who can fill this societal role. Many churches take care of such needs in their own areas. Large organizations such as American Red Cross, Catholic Social Services, and Lutheran Social Services, while they may receive a portion of their funding from various government entities, regularly provide emergency relief and could do so without government stipends. One example of a local operation is the Holland Rescue Mission, which provides emergency and long-term assistance in moving clients in to lives of responsibility and independence. The Mission offers numerous programs: a men's emergency shelter, a women/children's shelter, a children's ministry, a men's discipleship program, an industrial training program, a community food bank, a thrift store, a volunteer program, and chapel services. The mission attempts to foster personal responsibility among the poor and homeless. Employed homeless men who stay at the shelter are required to save their money in a custodial account. In the discipleship program, men are encouraged to be responsible for themselves and must report to a mentor. About 60 people reside at the mission full-time to take advantage of its programs. In addition, thousands receive meals and overnight lodgings. **Savings: $45,787,100.**

Program: Weatherization assistance

Appropriation:	Federal Funds:	$10,900,000
	Total:	$10,900,000[39]

Program Description:
This appropriation funds the Weatherization Assistance Program. Michigan's Weatherization Assistance Program is a low-income residential energy conservation program. The program provides free home energy conservation services to low-income Michigan homeowners and renters. Services include wall insulation, attic insulation and ventilation, foundation insulation, air-leakage reduction, smoke detectors, and dryer venting.[40]

Recommended Action:
The state should eliminate this program. Michigan's civil society — which includes individuals, nonprofits, religious organizations, businesses and fraternal organizations — works to help people in need and will continue to do so.

Multiple nonprofit programs assist with weatherization throughout the state; two will be highlighted. Westown Jubilee Housing, Inc. is committed to improving and stabilizing the housing stock in Grand Rapids, Michigan. This grass roots, faith-based ministry has housed 70 homeless families in its transitional shelter, provided 23 rental units for low-income families, and has assisted 29 local families in becoming homeowners. Each family is coached by a volunteer who encourages the homeowner and offers guidance on home maintenance. In addition, each homeowner must complete a financial management class that teaches the principles of budgeting and stewardship.

Another example is Home Repair Services of Kent County, which allows lower-income homeowners to borrow power saws, electric drills, ladders, hand tools and many other items for a refundable deposit of $5. The program offers free home maintenance classes with no eligibility qualifications. One program run by Home Repair is The Builders' Abundance store, which is collects donations of surplus building material and sells them at 20 percent to 30 percent of their retail value. Each working day, Home Repair Services dispatches six service technicians (electricians, builders, etc.) into surrounding neighborhoods to handle the most urgent and critical repair problems facing qualifying lower-income homeowners. The charge to the homeowner is only 10 percent of the job's total cost. These service technicians are supplemented by hundreds of other subcontractors and volunteers each year. Home Repair Services is also helping lower-income homeowners to avoid foreclosure, bring delinquent mortgages current, and build equity. Home Repair Services even helps lower income homeowners make their homes lead-safe for their children.[41] **Savings: $10,900,000.**

Program: Day care services

Appropriation:	Federal Funds:	$259,320,000
	GF/GP:	$207,490,000
	Total:	$466,810,000[42]

Program Description:
This appropriation funds day care services. The goal of this program is to provide available, affordable and quality child day care to qualifying Michigan residents when a caretaker is unavailable to do so due to "employment, education, and/or health/social condition."[43]

Recommended Action:
This program should be eliminated. Civil society has provided day care from time immemorial. Grandparents, parents, aunts, cousins, neighbors and religious organizations are responsible (and may be most qualified) for this role in civil society. Lawmakers should consider removing the regulatory roadblocks must also be considered that keep low-income families from offering day care in their homes as a means of augmenting their income. **Savings: $466,810,000.**

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[1] The gross appropriations figures for this section are derived from Erin Black, Myron Freeman, and Tumai Burris, House Fiscal Agency, "Line Item and Boilerplate Summary," Fiscal Year 2002-2003," Dec. 2002, p. 1.
[2] Ibid.
[3] Act No. 519, Public Acts of 2002, p. 1.

[4] U.S. Census Bureau web site, "Profile of General Demographic Statistics," accessible on the Internet at http://censtats.census.gov/data/MI/04026.pdf.
[5] Ibid.
[6] Ibid.
[7] Ibid.
[8] The Skillman Center web site, "From A Child's Perspective," accessible on the Internet at http://www.skillmancenter.culma.wayne.edu/Children%20and%20Policy.htm.
[9] Negative Population Growth web page, "NPG State Facts," accessible on the Internet at http://www.npg.org/states/mi.htm.
[10] Don Mathews, "The Free Market Lifts All Boats," The Chalcedon Report, June 1997, accessible on the Internet at http://www.chalcedon.edu/report/97jun/mathews.shtml.
[11] Act No. 529, p. 2.
[12] Ibid.
[13] Ibid.
[14] Ibid.
[15] Goodwill Industries of West Michigan web page, "Employment and Training Services," accessible on the Internet at http://www.goodwillwestmich.org/index.html.
[16] Act No. 529, p. 2.
[17] Ibid.
[18] Ibid.
[19] Michigan Family Independence Agency web site, "History," accessible on the Internet at http://www.michigan.gov/fia/0,1607,7-124-5459_7342_7928-15801--,00.html.
[20] Ibid.
[21] Policy Analysis and Program Evaluation Division Budget, Analysis and Financial Management Administration, Michigan Family Independence Agency, "Program Descriptions FY 2003," Nov. 2001, p. 88.
[22] Ibid.
[23] Ibid.
[24] Refugee Development Center web page, "What is the refugee center?" accessible on the Internet at http://www.refugeedevelopmentcenter.com/.
[25] Act No. 529, p. 2.
[26] Angel Fire web site, "Available Resources to Help Defray or Cover the Expense of Adoptions," accessible on the Internet at http://www.angelfire.com/journal/adoptionhelp/adopthelp.html.
[27] Act No. 529. Page two listed an appropriation for this program of $14,600,400. The figure was decreased due to a partial veto by Gov. Engler, and is reflected in the program line item in this chapter.
[28] Michigan Family Independence Agency web site, "Support Services," accessible on the Internet at http://www.michigan.gov/fia/0,1607,7-124-5452_7116-22559--,00.html.
[29] Act No. 529, p. 2.
[30] Family Independence Agency web site, "Support Services."
[31] Act No. 529, p. 3.
[32] Ibid.
[33] Act No. 529, p. 2.
[34] Act No. 529, p. 4.
[35] Policy Analysis Program Evaluation Division Budget, p. 6.
[36] Act No. 529, p. 4.
[37] Ibid. Page four lists an appropriation for this program in the amount of $45,187,100. The figure was increased due to the July 2002 cigarette tax increase, and is reflected in the program appropriation amount in this chapter.
[38] Policy Analysis Program Evaluation Division, p. 16.
[39] Act No. 529, p. 4.
[40] Michigan Family Independence Agency, "Support Services."
[41] Home Repair Services web page, "Programs," accessible on the Internet at http://www.homerepairservices.org/programs.html.
[42] Act No. 529. Page four listed an appropriation for this program of $466,910,000. The figure was decreased do a partial veto by Gov. Engler, and the new figure is reflected in the program line item in this chapter.
[43] Policy Analysis Program Evaluation Division Budget, p. 20.

Higher Education

Appropriations Summary	Actual[1]	Recommended	Savings
Interdepartmental Grants/Transfers	$ 0	$ 0	$ 0
Federal Revenues	$ 5,500,000	$ 6,565,920	$ -1,065,920
Special Revenue Funds	$ 125,573,850	$ 120,706,970	$ 4,866,880
General Fund/General Purpose	$1,812,271,316	$1,524,286,152	$287,985,164
Gross Appropriation	**$1,943,345,166**	**$1,651,559,042**	**$291,786,124**

The Higher Education budget directly funds a portion of the operations of Michigan's 15 public four-year universities. In addition, the budget also contains appropriations for the following programs: the Martin Luther King, Jr. - Cesar Chavez - Rosa Parks College Day Program; the Martin Luther King Jr. - Cesar Chavez - Rosa Parks Future Faculty Fellowship Program; the Grant and Financial Aid Program; and various state and regional programs — all of which should be slated either for elimination or reduction.

As in the case of Michigan's community colleges, the rate of increase in higher education funding has far exceeded the rate of increase in enrollment and inflation. To remedy this problem, expenditures should be retroactively indexed to enrollment and inflation. This would produce an immediate and long overdue savings for Michigan taxpayers, and encourage changes that would increase the efficiency of these institutions.

I. State Universities

Program: Public university operations

Appropriation:	GF/GP:	$1,615,486,200
	Total:	$1,615,486,200[2]

Program Description:
This appropriation funds a portion of the operations of Michigan's 15 four-year universities located throughout the state. Currently 232,648[3] full-time students attend Michigan's public universities.

Three of these institutions — the University of Michigan in Ann Arbor, Michigan State University, and Wayne State University — have large undergraduate, graduate and professional programs. Five institutions — Western Michigan University, Eastern Michigan University, Central Michigan University, Oakland University, and Northern Michigan University — offer primarily undergraduate programs, but also offer some graduate programs. Programs in specialized areas are emphasized at two institutions: Michigan Technological University, which offers primarily engineering courses, and Ferris State University, which offers primarily vocational and technical programs. Three institutions, as well as the University of Michigan's two sub-universities in Flint and Dearborn, offer primarily undergraduate liberal arts programs; they are: Grand Valley State University, Saginaw Valley State University, and Lake Superior State University.

For the fiscal year 2003, public university operations funds will be allocated as follows:

Central Michigan University	$90,003,800
Eastern Michigan University	$87,637,200
Ferris State University	$55,520,300
Grand Valley State University	$60,095,400
Lake Superior State University	$14,268,700
Michigan State University	$325,982,300
Michigan Technological University	$55,241,600
Northern Michigan University	$52,012,900
Oakland University	$52,384,700
Saginaw Valley State University	$27,393,300

University of Michigan — Ann Arbor	$363,562,700
University of Michigan — Dearborn	$27,993,300
University of Michigan — Flint	$24,068,100
Wayne State University	$253,644,700
Western Michigan University	$125,677,200

In December of 2002, then Governor Engler reduced the appropriations for higher education by $40,388,994 through Executive Order 2002-22. The Center updated appropriations figure is used here to calculate savings.

Recommended Action:
Although the direction of higher education funding should be toward using tuition vouchers or tax credits to replace direct state grants to public universities, such changes may be politically difficult at the moment. Such a move would provide universities with stronger incentives to control growing costs, a problem the Legislature should take more immediate steps to address.

Between the fiscal year 1985 and the fiscal year 2003, public university full-time student enrollment increased by approximately 2.9 percent, from 226,000 students to 232,648[4] students. At the same time, university operation spending grew by approximately 112.6 percent, from $759,750,000 to $1,615,486,200.[5] Thus, spending increased more than 38 times as fast as did enrollment. Clearly, over the last 17 years, spending has risen at a disproportionately high rate. One way to correct this is index spending retroactively to inflation and enrollment.

The Mackinac for Public Policy recommends using fiscal year 1985 as a base year and indexing future higher education spending to enrollment plus inflation. It is in this year that spending on higher education began to increase most dramatically. Doing this would mean spending only $1.3 billion on higher education in fiscal year 2004, $279 million less than in the previous year.[6] If lawmakers do not judge such a proposal to be politically advantageous, however, spending could be rolled back by half of this amount for the time being, or $140 million in fiscal year 2004. The cuts could be distributed to universities in proportion to the size of their current appropriations. In future fiscal years, the Legislature should continue a spending rollback until universities are receiving an amount equal to 1985 fiscal year dollars plus inflation and enrollment.

Defenders of dramatic spending increases argue that a simple analysis based on enrollment and inflation ignores such factors as the cyclical nature of enrollment, the impact of increased program demands, and the increased costs of technology. While these factors certainly affect funding needs, it is interesting that they always seem to drive overall costs upward. Where are the savings from better technology in college operations and administration? Why does funding continue to increase even when enrollment declines? While an enrollment/inflation index may be simple (and certainly might be improved upon), so is the argument that these institutions always require funding increases. Until the fiscal discipline of a market system operates to contain costs in our education systems, legislators and citizens should remember that the burden of proof is on public universities to justify demands for increased funding. **Savings: $139,542,975.**

Program: Postsecondary education

Appropriation:	Federal Funds:	$1,332,400
	Special Revenue Funds:	$ 478,900
	GF/GP:	$ 679,000
	Total:	$2,490,300[7]

Program Description:
This line item was transferred to this portion of the report from the Michigan Department of Career Development (MDCD) chapter. This appropriation funds administrative expenses for five programs. They are 1) Community Colleges Services; 2) King — Chavez Chavez — Parks Initiative; 3) Proprietary Schools; 4) Veterans Education; and 5) Educational Corporations.

Program Recommendation:
Elimination of the King-Chavez-Parks programs (see below) allows eliminating 20 percent of this line item. This is an estimate only, and a detailed analysis of the impact of programs reductions is needed to determine precise savings. The remaining funds transferred from the MDCD will be added to the appropriation summary above. **Transferred from MDCD: $1,992,240.**

II. Martin Luther King, Jr. — Cesar Chavez — Rosa Parks Program

Program: Martin Luther King, Jr. — Cesar Chavez — Rosa Parks college day program

Appropriation:	All From GF/GP:	$1,212,611
	Total:	$1,212,611[8]

Program Description:
This appropriation funds the Martin Luther King, Jr. — Cesar Chavez — Rosa Parks College Day Program. This program sends students from grades 6 through 11 to the campuses of Michigan's public universities for day and overnight stays. The purpose of the program is to motivate these students to attend college, help them explore career possibilities, teach them about college admission requirements, and to allow them to interact with faculty. The program is targeted toward minority students within the 30 public school districts and public school academies with the highest percentages of minority students, as reported by the Michigan Department of Education.[9]

Recommended Action:
This program duplicates a number of programs conducted by universities and colleges throughout the state; it should be eliminated. **Savings: $1,212,611.**

Program: Martin Luther King, Jr. — Cesar Chavez — Rosa Parks future faculty fellowship program

Appropriation:	GF/GP:	$1,228,262
	Total:	$1,228,262[10]

Program Description:
This appropriation funds the Martin Luther King, Jr. — Cesar Chavez — Rosa Parks Future Faculty Program. This program grants loans to minority students working toward Master's and doctoral degrees at Michigan's public universities. If the student is a Michigan resident, one-third of his debt is cancelled upon graduation. Additional forgiveness will accrue at the rate of $5,000 for each year within the pay back period that the borrower is employed in a full-time teaching position at a Michigan public or independent two or four-year college or university.

Recommended Action:
This program should be eliminated. If a university places a high priority on such a program it could be funded with revenues raised through the private fundraising efforts of the university itself. **Savings: $1,228,262.**

Program: Martin Luther King, Jr. — Cesar Chavez — Rosa Parks visiting professors program

Appropriation:	GF/GP:	$171,916
	Total:	$171,916[11]

Program Description:
This appropriation funds the Martin Luther King, Jr. — Cesar Chavez — Rosa Parks Visiting Professors Program. This program subsidizes the salaries of visiting minority faculty at Michigan's public universities.

Recommended Action:
This program should be eliminated. If a university places a high priority on such a program it could be funded with revenues raised through the private fundraising efforts of the university itself. **Savings: $171,916**.

III. State and Regional Programs

Program: Agricultural experiment station

Appropriation:	GF/GP:	$36,848,700
	Total:	$36,848,700 [12]

Program Description:
This appropriation funds the Agricultural Experiment Station (AES). AES, based at Michigan State University (MSU), conducts research on topics relating to Michigan agriculture. Past projects conducted by the station include the Status and Potential of Michigan Agriculture Project (SAPMA), which assessed the status of 22 Michigan agricultural commodities and developed estimates for potential growth; and the Status and Potential of Michigan Natural Resources Project (SAPMINR), which looked at Michigan's natural resources, identifying trends and future opportunities. In addition to the MSU office, AES has 15 branch offices throughout the state.

Recommended Action:
As with other industries, from automobiles to furniture to chemicals, the Michigan agriculture industry should be responsible for conducting its own research. Michigan farmers, their trade associations, and the Michigan agriculture industry at large — not the state of Michigan and its taxpayers — should determine what research is needed and provide for its funding. This program should be eliminated. **Savings: $36,848,700.**

Program: Cooperative extension service

Appropriation:	GF/GP:	$31,782,600
	Total:	$31,782,600[13]

Program Description:
This appropriation funds the cooperative extension service. This program conducts a variety of educational programs throughout the state for non-student residents. Examples of courses offered include handicapped horseback riding, sewing, pottery, etc.

Recommended Action:
The cooperative extension service program (co-op) could be handled effectively by the private sector. Indeed, there are a number of private schools and other organizations throughout the state that already offer co-op style classes to people of all ages. The state should discontinue this program. **Savings: $31,782,600.**

Program: Japan center for Michigan universities

Appropriation:	GF/GP:	$305,300
	Total:	$305,300[14]

Program Description:
This appropriation funds the Japan Center for Michigan Universities. This program, in arrangement with universities throughout the state, organizes a student exchange program with the University of Shiga, Japan. It also provides assistance for students from Michigan Universities while they are studying in Japan.

Recommended Action:
This program duplicates a number of programs conducted by universities and private organizations throughout the state; it should be eliminated. **Savings: $305,300.**

Program: Morris Hood, Jr. educator development program

Appropriation:	All from GF/GP:	$165,100
	Total:	$165,100[15]

Program Description:
This appropriation funds the Morris Hood, Jr. educator development program. This program aims to increase the number of minority students, especially males, enrolling in and completing K-12 teacher educational programs at the baccalaureate level. The MHED program specifically targets African Americans, Native Americans, and Latinos.

Recommended Action:
This program should be eliminated. If a university places a high priority on such a program it could be funded with revenues raised through the private fundraising efforts of the university itself. **Savings: $165,100.**

IV. Grants and Financial Aid

Program: Grants and financial Aid

Appropriation:	Federal Funds:	$ 5,500,000
	Special Revenue Funds:	$123,573,850
	GF/GP:	$124,525,416
	Total:	$253,599,266[16]

Program Description:
This appropriation funds the Grants and Financial Aid Division. The Division conducts, among others, the following programs — each of which should be eliminated:

- The Tuition Grant Program, which awards grants to financially needy students attending private, independent colleges in Michigan.
- The Tuition Incentive Program (TIP), which reimburses tuition and mandatory fees to community colleges, public universities, independent non-profit degree-granting colleges or universities, or to a Michigan tribally controlled community college for associate degree of certificate programs. The payments shall not exceed an amount equal to the average current in-district resident community college rate with a different amount for university participants. In order to be eligible for TIP, a student must meet all of the following requirements: (1) the student must be a resident of Michigan; (2) the student's family's income is or was at the poverty level within the preceding year; (3) the student was under 20 at the time of graduation or GED completion; (4) the student graduated from high school not more than 4 years before application.
- The Grant for Michigan Resident Dental Graduates Program, which subsidizes the education of dental students at the University of Detroit-Mercy via grants and loans.
- The Part-time Independent Student Program, which provides need-based grants of up to $600 a year to part-time students attending Michigan's public universities.
- The Michigan Education Opportunity Grant Program, which assists financially needy undergraduates who are enrolled at least half-time at a Michigan community college or public university.
- The Grant for Allied Health Graduates Program, which awards grants to private independent colleges within Michigan that have health and nursing degree programs. The size of the grant is dependent on the number of Michigan residents who graduate from these programs within a given year.

Recommended Action:
Eliminating the above grants would produce a savings of $82,520,900. These programs take money from students and parents through taxes, pass it through the administrative bureaucracies of the many grant programs, and return it to students — minus the costs of collection and administrative overhead. State subsidies also drive up the costs of higher education. The state of Michigan should adopt a policy that encourages students to rely on their families, themselves, private foundations and scholarships, and private business grants and loans to fund their education. Students should be independent of the state for financing their educational needs, just as they should be for their food, clothing and shelter. **Savings: $82,520,900.**

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[1] Act No. 144, Public Acts of 2002, p. 1. Spending for this line item was decreased $45,306,783 due to Executive Order 2002-22.
[2] Act No. 144, p. 1-3. Funding for Michigan's 15 public universities was decreased by $40,388,994 due to Executive Order 2002-22.
[3] Telephone interview with Ellen Jefferies, deputy director of Senate Fiscal Agency by Mackinac Center for Public Policy Research Intern Rachel Hoekstra, Nov. 18, 2002.
[4] Ibid.
[5] Act No. 144, p. 1. Spending for this line item was decreased from the original figure of $1,615,486,200 due to Executive Order 2002-22.
[6] Using fiscal year 1984-1985 as the base year, we would index spending to enrollment and inflation, which rose by approximately 2.9 percent and 73 percent respectively from fiscal year 1984 to fiscal year 2003: $759,750,000 * (1+ 0.029 + 0.73). This would yield a total of $1,336,400,250. Thus, using the previously stated formula, the Michigan taxpayer would reap a savings of $279,085,950, as spending for fiscal year 2003 would be decreased from $1,615,486,200 to the indexed total of $1,336,400,250.
[7] Ibid.
[8] Hank Prince, Barbara Graves, "Line Item and Boilerplate Summary: Higher Education Fiscal Year 2002-2003," p. 2.
[9] Michigan Department of Career Development, "Martin Luther King, Jr. — Cesar Chavez — Rosa Parks (KCP) Initiative," accessible on the Internet at http://www.michigan.gov/mdcd/0%2C1607%2C7-122--7340--%2C00.html##faq.
[10] Prince, Graves, p. 2.
[11] Prince, Graves, p. 2.
[12] Act No. 144, p. 3. Spending for this line item was decreased $921,259 due to Executive Order 2002-22.
[13] Ibid. Spending for this line item was decreased $794,601 due to Executive Order 2002-22.
[14] Ibid. Spending for this line item was decreased $7,633 due to Executive Order 2002-22.
[15] Ibid. Spending for this line item was decreased $4,128 due to Executive Order 2002-22
[16] Ibid, p. 4. Spending for this line item was decreased $3,113,177 due to Executive Order 2002-22.

Department of History, Arts, and Libraries

Appropriations Summary	Actual[1]	Recommended	Savings
Interdepartmental Grants/Transfers	$ 0	$ 0	$ 0
Federal Funds	$ 8,111,300	$ 6,411,300	$ 1,700,000
General Fund/General Purpose	$60,896,600	$ 13,688,630	$47,207,970
Special Revenue Funds[2]	$ 2,478,300	$ 664,300	$ 1,814,000
Gross Appropriation:	**$71,486,200**	**$ 20,764,230**	**$50,721,970**

The Michigan Department of History, Arts, and Libraries is one of the most recent additions to state government, having been created under Public Act 63 of 2001. It consolidates the administration of a number of pre-existing state functions and programs. The department's five main agencies are the Michigan Council for Arts and Cultural Affairs, Michigan Historical Center, Library of Michigan (formerly known as the State Library), Mackinac State Historic Parks, and the Michigan Film Office. In addition, the department oversees the state records management program, demography work, and U.S. Census reporting activities. The department's mission statement is, "To enrich the quality of life for Michigan residents by providing access to information, preserving and promoting Michigan heritage, and fostering cultural creativity."[3]

Before proceeding into an analysis of each of the department's main agencies and functions, however, the reader may find it useful to review the following brief explanation of the philosophy undergirding the recommendations made in this section.

Background Philosophy: State and Society

American traditions of law and liberty recognize a fundamental distinction between the activities of government and those of society at large. Since the Colonial Era, the coercive institutions of government have been widely understood to be appropriate to the protection of life and property from criminal violence and fraud. Other concerns, however basic or vital, historically have been addressed by voluntary civil institutions. This theoretical understanding of, and practical distinction between, the different roles of state and society — spelled out in the federal and state constitutions — have been key to unleashing the vibrant cultural and economic life that has flourished in this country since its inception in the 18th century. In other words, America's Founders understood that while government may serve, in some ways, as the *protector* of a society's culture, it is but a product — not the *source* of—that culture.

What, then, is the source of culture? The word "culture" is derived from the Latin *cultus*, meaning "care, cultivation, worship," implying that the roots of culture run deep in the human imagination and in human history. In his book, "The Roots of American Order," Michigan-born cultural historian Russell Kirk traced the development of Western culture generally, and American culture specifically, back through the centuries to the societies of ancient Jerusalem, Athens, and Rome, up through medieval London and all the way to America's constitutional convention at Philadelphia. "[A] nation's culture," explained Kirk, "is the complex of convictions, folkways, habits, arts, crafts, economic methods, laws, morals, political structures, and all the ways of living in community that have developed over the centuries."[4]

Kirk's definition helps to make the salient point. Within a free, or *civil*, society, government is just one of many threads in the broad and colorful tapestry of human life. It has the narrow and limited role of guardian, and when it steps outside of that role, its growth into other spheres of life soon results in an increasingly unfree, or *political*, society. The difference for the average citizen is this: In a civil society, citizens themselves make the decisions affecting their lives. In political society, government officials make many or even most of those decisions for citizens. The citizen's judgment about what is in his or her own best interest is supplanted by the judgment of others, who may not have his or her best interests at heart — and may not even know what those best interests might be.

The types of decisions made by bureaucrats in a political society run from the most important — such as where one should (or is allowed to) live, how one's children are to be educated, or how one is to spend one's own money — to the most mundane — such as how much water toilet bowls should hold, or how big the holes in Swiss cheese ought to be. (Regarding these last two examples: As humorist Dave Barry might say, we are not making this up.)

But perhaps the most dangerous aspect of a political society is that the state sets itself up as the very *definer* of a society's culture rather than as its guardian. In such a situation, there comes to be an "official line" on everything. This official line, instead of being reached by open academic inquiry and consensus, is instead asserted and enforced by a bureaucratic minority operating the coercive machinery of the state. Instead of being open to challenge and revision as new nuggets of truth are gleaned by scholarly prospectors, the government-enforced official line is impervious to new evidence or interpretation. Thus there is the spectacle, in some countries, of a "Ministry of Culture," that may actually criminally prosecute those who hold the "wrong," i.e., governmentally disapproved, opinions. This country is not yet that far down the road to censorship and statism, but the persistence of the phenomenon known as "political correctness" reveals the ever-present danger to intellectual and academic freedom when citizens cease their vigilance.

It is with this information in mind that the reader ought to understand the recommendations made in this section regarding the pruning of Michigan's proto-Ministry of Culture, the Department of History, Arts and Libraries. For it is precisely because the pursuit of truth in history, art and the humanities is so important to society that it must be kept out of the realm of politics insofar as is possible. Perhaps French economist and statesman Frederic Bastiat summed up this understanding best in his classic 19th-century treatise, "The Law." In the following passage, Bastiat is inveighing in particular against socialism, but his analysis applies to any brand of the statist philosophy, including fascism, communism, or the garden-variety welfarism of modern-day America:

> Socialism, like the ancient ideas from which it springs, confuses the distinction between government and society. As a result of this, every time we object to a thing being done by government, the socialists conclude that we object to its being done at all.
>
> We disapprove of state education. Then the socialists say that we are opposed to any education. We object to a state religion. Then the socialists say we want no religion at all. We object to a state-enforced equality. Then they say that we are against equality. And so on, and so on. It is as if the socialists were to accuse us of not wanting persons to eat because we do not want the state to raise grain.[5]

In short, the Mackinac Center is not recommending budget cuts for the Department of History, Arts and Libraries because it does not want or like art; on the contrary, our reasons are precisely the opposite.

I. Department Operations

Program: Unclassified salaries

Appropriation:	All from GF/GP:	$219,400
	Total:	$219,400[6]

Program Description:
This appropriation funds unclassified salaries that provide support services for the director of the Department of History, Arts and Libraries. In other words, it funds the director's staff.

Recommended Action:
With the elimination of approximately 70 percent of the History, Arts and Libraries budget comes the ability to downsize these appropriations commensurately, producing an additional savings of approximately $153,580. **Savings: $153,580.**

Program: Management services

Appropriation:	All from GF/GP:	$2,103,600
	Total:	$2,103,600[7]

Program Description:
This appropriation funds the management services of the department. These services provide administrative support for the department.

Recommended Action:
With the elimination of approximately 70 percent of the History, Arts, and Libraries budget comes the ability to downsize the management services appropriation commensurately, producing a savings of approximately $1,475,250. This is an estimate only, and a detailed analysis of the impact of program reductions is needed to determine exact savings. **Savings: $1,475,250.**

Program: Office of film and television services

Appropriation:	All from GF/GP:	$143,500
	Total:	$143,500[8]

Program Description:
This appropriation funds the Michigan Film Office through the office of film and television services appropriation line item. The Michigan Film Office was created in 1979 "to assist and attract incoming production companies and to promote the growth of our indigenous industry."[9] Its fiscal year 2003 gross appropriation is $143,500, the entirety of which comes from the state general fund.[10]

Recommended Action:
This item should be eliminated. Using state resources to help one of America's most successful industries is unnecessary. The film industry maintains a complement of full-time site locaters. Even if attracting film companies to Michigan were crucial to the health of the state economy, it would best be a function handled by local chambers of commerce. **Savings: $143,500.**

II. Michigan Council for Arts and Cultural Affairs

Program: Arts and cultural grants and administration

Appropriation:	Federal Funds:	$ 700,000
	GF/GP:	$23,681,700
	Total:	$24,381,700[11]

Program Description:
This appropriation funds the Michigan Council for Arts and Cultural Affairs (MCACA). Former Gov. John Engler created MCACA in 1991[12] "to encourage, develop, and facilitate an enriched environment of artistic, creative cultural activity in Michigan."[13] The council is made up of 15 appointees, each of whom serve three-year terms, and a staff of nine individuals who oversee the awarding of grants to a variety of organizations and projects throughout the state. The MCACA's fiscal year 2003 appropriation is $12,481,700, $700,000 of which comes from federal sources. In addition, MCACA received an additional $11,900,000 from the state's general fund; an amount not reflected in the original appropriation. The total budget (including the supplemental appropriation) is $24,381,700.[14]

In September 2002, then-Gov. Engler announced $22.6 million in MCACA grants to 368 organizations and projects in 69 counties for the current fiscal year.[15] Some of these grants go to regional or local government arts councils, who in turn "re-grant" some of their funding to other organizations and projects of their choosing.[16]

The administration line item, worth $839,100, simply covers personnel and operational costs for the program.

Recommended Action:
The Michigan Legislature should eliminate state funding for the Michigan Council for Arts and Cultural Affairs, including its administration. The reasons for this move include the following:

- **Government arts subsidies are inherently politicized and unfair.** Having an "arts council" enables politicians and their appointees — not the art-consuming public—to decide which art forms and artists are worthy of support and which are not. The artistic judgment of the "common folk" may not always be agreeable to the connoisseur, but the judgment of the elite minority who control government "arts funding" is far from infallible. For example, MCACA awarded $22,200 to one elementary and one middle school in the Lansing school district to bring "teaching artists" from nearby BoarsHead Theatre (which received $72,700 from MCACA) into the classroom. One of the artists' homework assignments consisted of directing students "to brush their teeth with the opposite hand to illustrate that it's possible to learn new skills."[17] It is at least debatable whether citizens allowed to keep their own "arts dollars" would choose to spend it in such a manner. But even if they did, at least it would be their own money. As author John Updike, two-time winner of the Pulitzer Prize, declared, "I would rather have as my patron a host of anonymous citizens digging into their own pockets for the price of a book or a magazine, than a small body of enlightened and responsible men administering public funds."[18]

- **Government art subsidies often take from the poor and give to the rich.** Supporters of government arts subsidies like to argue that the subsidies are needed to bring art to lower-income people who otherwise would not have the resources to enjoy it. However, evidence suggests that art subsidies flow from the poor and middle classes to wealthier citizens — those who tend to frequent museums, operas and symphonies in the first place. For example, projects from wealthy Wayne County received $9,718,300 in MCACA grants for fiscal year 2003, the largest dollar amount received by any Michigan county. Oscoda County residents saw just $5,000 in MCACA grants come their way. According to census data, Wayne County has a population of 2,045,473 people and a per-capita income of $20,058; Oscoda County, by contrast, has 9,558 residents and a per-capita income of $15,697. As a ratio of grant funds to population, Wayne County receives back from the state $4.75 per citizen while Oscoda receives only $0.52 per citizen. Over half of the Wayne County grant money, $5,943,900, went to just two organizations: the Detroit Symphony Orchestra and the Detroit Institute of Arts. Economist Robert Samuelson seems to have had it right when he called government arts funding "high-brow pork barrel".[19]

- **Government art subsidies corrupt artists.** Subsidies gradually but inevitably lead to the "dumbing down" of art as the hopeful beneficiaries of government grants tailor their craft in such a way as to make them most likely to receive state money. In other words, because there never will be enough money for every aspiring artist, the state must of necessity develop a selection process; thus artists applying for grants will tend to pursue work palatable mainly to their government patrons. Some writers have recognized the artist's need for independence and warned against this dynamic. Nobel Prize-winning novelist William Faulkner remarked, "I've never known anything good in writing to come from having accepted any free gift of money. The good writer never applies to a foundation. He's too busy writing something."[20] Faulkner's fellow Nobel laureate, one-time Michigan resident Ernest Hemingway, said that a writer who uses politics to advance his career might "get to be an ambassador or have a million copies of his book printed by the government," but he is betraying his craft.[21] **Savings: $24,381,700.**

III. Mackinac Island State Park Commission

Program: Mackinac Island park operations and historical facilities system

Appropriation:	Special Revenue Funds:	$1,114,000
	GF/GP:	$1,836,800
	Total:	$2,950,800[22]

Program Description:
This appropriation funds the Mackinac Island State Park Commission. The commission was created under Act 451 of 1994 for the purpose of managing Mackinac Island State Park, Colonial Michilimackinac State Park, and Historic Mill Creek State Park. The commission is composed of seven members, appointed by the governor with the advice and consent of the Senate, who serve 6-year terms. The fiscal year 2003 gross appropriation for the Mackinac park system is $2,950,800; $1,037,600 of this amount comes from the Mackinac Island state park fund, while $76,400 is generated from user fees.[23] The remaining $1,836,800 is made up from the state general fund.[24]

Recommended Action:
The Legislature could take advantage of outsourcing for the Mackinac State Historic Parks. The parks need not be managed by the state — in fact, they might be improved and made more self-sufficient if management responsibility were transferred to a private, nonprofit organization. This is what New York City did with its crown jewel, Central Park, contracting with the private, not-for-profit Central Park Conservancy. The conservancy has restored the park from its dilapidated state in the 1970s to its present beautiful condition, using almost $250 million worth of private investment. The conservancy also privately raises $17 million of Central Park's annual $20 million operating expenses.[25] There is no reason a similar arrangement could not work with Mackinac Island and other state parks. Oversight of such a contract could be provided by a current state employee acting in the capacity of contract manager. **Savings: $2,950,800.**

IV. Michigan Historical Program

Program: Historical administration and services

Appropriation:	All from GF/GP:	$4,940,800
	Total:	$4,940,800[26]

Program Description:
This appropriation funds administration and services for Michigan's historical programs. The Michigan Historical Center's web site explains that the center "preserves and interprets Michigan's past and helps people discover, enjoy and find inspiration in their heritage."[27] The center's nearly 80 employees oversee and administer five main components of the state's historical program, including the Michigan Historical Museum System, State Archives of Michigan, State Historic Preservation Office, Office of the State Archaeologist, and Michigan History magazine. The center is also responsible for overseeing implementation of the federal National Register of Historic Places program in Michigan and shares with the federal government the duty of managing the Thunder Bay National Marine Sanctuary and Underwater Preserve in Lake Huron.

The Michigan Historical Commission, created in 1913,[28] serves as the advisory board to the center. It consists of six members appointed by the governor to terms of six years. The commission, in conjunction with the Department of History, Arts, and Libraries, administers the State Register of Historic Sites and several other historical programs.

Recommended Action:
The Legislature should downsize, outsource or eliminate the following agencies and programs:

Ten historic museums and sites throughout the state focus on themes in Michigan history including native peoples, early French explorers, miners, loggers, settlers, a Victorian family, and the Depression-era Civilian Conservation Corps.[29] Each of these museums and sites may be worthy and important; however, it does not follow that the state should assume all the costs associated with owning and operating them. Museums funded entirely through private philanthropy and attendance fees exist throughout the country. State and local governments also have successfully transferred responsibility for public museums to private, nonprofit groups, as Milwaukee did in 1992, maintaining and even improving service while ending a constant drain on the treasury. The Legislature could transfer management of Michigan's state historic museums and sites to private nonprofit groups. **Approximate Savings: $3,952,640.**

Approximately 20 percent of the expenditure for the "Historical administration and services" line item funds the work of state archivists; positions *not* recommended for elimination.

Program: Heritage publications

Appropriation:	All from Special Revenue Funds:	$700,000
	Total:	$700,000[30]

Program Description:
This appropriation funds Michigan History magazine and other Michigan specific publications. Michigan History is a state-produced bimonthly periodical, established by statute in 1913[31] and was first printed in 1917 as a scholarly journal for the purpose of recording Michigan history for posterity. It evolved into its current glossy magazine-style format with pictures and illustrations in 1978. The magazine also produces promotional items and literature for Michigan Historical Center, including books, posters, mugs, calendars and other items.

Recommended Action:
Funding for Michigan History magazine should be eliminated. While promoting and chronicling Michigan history is a worthy endeavor, there is no compelling reason to force taxpayers to support state-produced publications on the subject. Each year, many thousands of books and magazines are published on a wide variety of topics, history included, by private entities who are funded voluntarily by only those who are most interested in their topics.[32] **Savings: $700,000.**

V. Library of Michigan

Program: Grant to Grand Rapids public library

Appropriation:	Federal Funds:	$ 64,800
	GF/GP:	$134,400
	Total:	$199,200[33]

Program Description:
This appropriation funds a grant that provides an operating subsidy to the Grand Rapids Public Library, in addition to what it receives from the "state aid to libraries" line item below.

Recommended Action:
This appropriation should be eliminated. There is no reason that Grand Rapids should enjoy any more state dollars for its library services than does Traverse City, Sterling Heights, or Ishpeming. In addition, libraries need not be public entities. Private libraries do exist, and have throughout our nation's history. Indeed, one of America's first lending libraries, established in Philadelphia by Benjamin Franklin, was created as a civil institution for the

betterment of mankind, thanks to the private donations of individuals and to fees paid by users. Regardless, local units of government could thrive without state subsidies. Those who benefit the most from such services (local users) should bear the burden of funding those institutions. **Savings: $199,200.**

Program: Grant to Detroit public library

Appropriation:	Federal Funds:	$ 935,200
	GF/GP:	$1,941,900
	Total:	$2,877,100[34]

Program Description:
This appropriation funds a grant that provides a special operating subsidy to the Detroit Public Library.

Program Recommendation:
This appropriation should be eliminated. While Gov. Engler deserves enormous credit for reducing this subsidy from $5.8 million in fiscal year 1996, more can be done. In fact, the program should be eliminated. There is no reason that Detroit should enjoy any more state dollars for its library services than Traverse City, Sterling Heights, or Ishpeming. In addition, libraries need not be public entities. Private libraries do exist and have throughout our nation's history. Indeed, one of America's first lending libraries, established in Philadelphia by Benjamin Franklin, was created as a civil institution for the betterment of mankind, thanks to the private donations of individuals and fees paid by users. Regardless, local units of government could thrive without state library subsidies. Those who benefit the most from such services (local users) should bear the burden of funding those institutions. **Savings: $2,877,100.**

Program: State aid to libraries

Appropriation:	All from GF/GP:	$13,327,000
	Total:	$13,327,000[35]

Program Description:
This appropriation funds the state aid to libraries program. This program is a function of Public Act 89 of 1977, known as the Michigan State Aid to Public Libraries Act. It is the library equivalent to the state's revenue sharing program to local governments. The state distributes funds to Michigan's 300-plus local libraries to assist in their operations.

Recommended Action:
This appropriation should be eliminated. Libraries need not be public entities. Private libraries exist and have throughout our nation's history. Indeed, one of America's first lending libraries, established in Philadelphia by Benjamin Franklin, was created as a civil institution for the betterment of mankind, thanks to the private donations of individuals and fees paid by users. Regardless, local units of government should not receive such state subsidies. Those who benefit the most from such services (local users) should bear the burden of funding those institutions. **Savings: $13,327,000.**

Program: Subregional state aid

Appropriation:	All from GF/GP:	$561,200
	Total:	$561,200[36]

Program Description:
This appropriation funds special services to the blind and to others with disabilities.

Recommended Action:
The state should eliminate this appropriation. Individuals, institutions and businesses can and do help people with disabilities out of a deep concern for their welfare, not because the state insists upon it. Livonia's Seedlings Braille Books for Children is a good example. It is dedicated to increasing the opportunity for literacy among the blind. Seedlings provides high-quality, low-cost Braille books for blind children so that blind and sighted family members may read together. Few of Michigan citizens may realize the degree to which such organizations, and the kind people who associate with them, can and do provide assistance to people with disabilities without state intervention. They could do more, too, if government didn't crowd them out with high taxes and programs such as this. **Savings: $561,200.**

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[1]Act No. 523, Public Acts of 2002, p. 1.
[2]Special revenues include private revenues and other state restricted revenues.
[3]Press Release from the Michigan Department of History, Arts, and Library celebrating its 1-year anniversary, accessible on the Internet at http://www.michigan.gov/hal/0,1607,7-129-1859_1861-53017--M_2002_10,00.html.
[4]Russell Kirk, "The Politics of Prudence," Bryn Mawr, Penn.: Intercollegiate Studies Institute, 1993, p. 193.
[5]Frederic Bastiat, "The Law," Irvington, N.Y.: The Foundation for Economic Education, 1998, p. 29.
[6]Act No. 523, p. 1.
[7]Ibid.
[8]Act No. 523, p. 2.
[9]See Michigan Department of History, Arts, and Libraries web site, "What is the Michigan Film Office," http://www.michigan.gov/hal/0,1607,7-160-17445_19275---,00.html.
[10]Act No. 523, p. 2.
[11]Ibid.
[12]Executive Order No. 1991-21.
[13]See Michigan Department of History, Arts, and Libraries web site, "Mission Statement," at http://www.cis.state.mi.us/arts/mission.htm.
[14]Act No. 523, p. 2; and telephone interview with Nick Bozen of Michigan Department of History, Arts, and Libraries, Dec. 30, 2002.
[15]See Michigan Department of History, Arts, and Libraries web site, "FY 2003 Arts & Cultural Grants," at http://www.cis.state.mi.us/arts/grants/grants.htm.
[16]The figure of $24,381,700 under "Gross Appropriation" does not exactly match the enacted figure in Act No.523. The Act shows an appropriation of $12.4 million. This was later revised upward. The author took the liberty of rolling the supplemental appropriation into this analysis to reflect the true potential savings from eliminating the program.
[17]Fiscal year 2003 the Michigan Council for Arts and Cultural Affairs grant application form, "Artist in Residence for Education Program," Lansing School District, p. 5. Other work for the "teaching artist" including dressing up as Cortez and "barking out orders in gibberish so the students would understand the language problem the Aztecs faced, and how threatened they felt."
[18]Quoted in Bill Kauffman, "Subsidies to the Arts: Cultivating Mediocrity," Washington, D.C.: The Cato Institute, Policy Analysis No. 137, 1990, p. 6. Accessible on the Internet at http://www.cato.org/pubs/pas/pa137.html, p. 14.
[19]Kauffman, p. 7.
[20]Kauffman, p. 14.
[21]David Bardallis, Viewpoint commentary "Ernest Hemingway and Arts Subsidies: A Farewell to Alms," July 1999, accessible on the Internet at http://www.mackinac.org/article.asp?ID=1949.
[22]Act No. 523, p. 2.
[23]Ibid.
[24]Ibid.
[25]See the Central Park Conservancy web site, "Support the Conservancy," accessible on the Internet at http://www.centralparknyc.org/support.
[26] Act No. 523, p. 2.
[27]See the Michigan Historical Center web site, "The Michigan Historical Center," at http://www.sos.state.mi.us/history/museum/explore/explore2.html.
[28]Act No. 271, Public Acts of 1913.

[29]See the museum system's web site, "Welcome to Michigan Historical Museum System," at http://www.michigan.gov/hal/0,1607,7-160-17447_18595---,00.html.
[30]Act No. 523, p. 2.
[31]Act No. 271, Public Acts of 1913.
[32]Historian Burton W. Folsom, Jr. produced his 1997 book, "Empire Builders: How Michigan Entrepreneurs Helped Make America Great," entirely with private funding, for example.
[33]Act No. 523, p. 3.
[34]Ibid.
[35]Ibid.
[36]Ibid.

Department of Information Technology

Appropriations Summary	Actual[1]	Recommended	Savings
Interdepartmental Grants/Transfers	$424,006,800	$424,006,800	$ 0
Federal Funds	$ 0	$ 0	$ 0
General Fund/General Purpose	$ 0	$ 0	$ 0
Special Revenue Funds	$ 0	$ 0	$ 0
Gross Appropriation	**$424,006,800**	**$424,006,800**	**$ 0**

The Michigan Department of Information Technology (DIT) was created by Executive Order 2001-3 in the hope of improving technology services by consolidating management of "state information and technology resources, and assuring the reliability, security, and confidentiality of state data and computer facilities."[2]

The services that are provided by the department include, but are not limited to, software development, state employee desktop computer support management, electronic security, and basic telecommunications infrastructure support for all other state departments. Each department receives funding for information technology services and projects and this money is paid to the DIT for services rendered.

This report does not include a detailed analysis of these operations, and therefore no program changes are recommended at this time.

[1] Act No. 526, Public Acts of 2002, p. 1.
[2] Michigan Manual, 2001-2002, "Department of Information Technology," Legislative Service Bureau: Lansing, Sept. 2001, p. 507.

Department of Management and Budget

Appropriations Summary	**Actual**[1]	**Recommended**	**Savings**
Interdepartmental Grants	$109,548,100	$109,347,800	$ 200,300
Federal Funds	$ 358,600	$ 358,600	$ 0
General Fund/General Purpose	$ 42,836,300	$ 42,836,300	$ 0
Special Revenue Funds	$ 35,355,300	$ 33,350,300	$2,005,000
Gross Appropriation	**$188,098,300**	**$185,893,000**	**$2,205,300**

The function of the Michigan Department of Management and Budget (MDMB) is to provide "financial management, property management, capital facility development, procurement, retirement and related benefits, employee benefits programs, accounting and payroll functions, geographic information, systems development, and office support services to state agencies." It also "prepares, presents, and executes the state budget on behalf of the governor."[2]

In past years the department had become something of a catch-all for various government functions. This is no longer the case, as many activities have been transferred to other departments. The MDMB activities are now limited to its core mission of providing management services to other state departments. Significantly, providing information services to state departments is no longer part of that mission, having been transferred to the new Department of Information Technology. However, the department does continue to be the custodian for certain provisions of labor agreements between the state and its employees (see union "Professional Development Funds, below).

Program: State employee union "Professional Development Funds[3]"

Appropriation:	All from Special Revenue Funds:	$2,005,000
	Total:	$2,005,000[4]

Program Description:
This appropriation funds state employee union "Professional Development Funds." These programs provide retraining, training, seminars, workshops and conferences for members of unions representing state employees.

Recommended Action:
This appropriation should be eliminated. Organized labor plays an indispensable role in advancing the interests of workers. However, labor unions and their programs, like corporations, should not be subsidized by taxpayers for job training or any other reason. They should be required to earn their support from the voluntary contributions of their members. **Savings: 2,005,000.**

Program: Interdepartmental mail and delivery

Appropriation:	All from Interdepartmental Grants:	$2,003,007
	Total:	$2,003,007[5]

Program Description:
This appropriation funds interdepartmental mail and freight delivery services to state agencies and offices throughout the state.

Recommended Action:
This service should be outsourced. Based on experience with privatization programs involving similar government operations, it is likely that significant savings and quality improvements can be realized by subjecting this function to market competition. Currently 29 full-time-equivalent staff positions are apportioned to this function. Savings of

10 percent to 30 percent are not uncommon in government outsourcing initiatives. For purposes of calculating savings, the Mackinac Center for Public Policy will use a conservative 10 percent. **Savings: $200,300.**

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[1] Act No. 528, Public Acts of 2002, p. 7.
[2] Michigan Department of Management and Budget, "Overview." Accessible on the Internet at http://www.michigan.gov/dmb/0,1607,7-150-9131_9353_13023---,00.html.
[3] Includes Professional Development Fund-MPES; Professional Development Fund-UAW; Professional Development Fund, Local 31-M; Professional Development Fund-MSC; Professional Development Fund – AFSCME; Professional Development Fund-Nonexclusively Represented Employees.
[4] Ibid.
[5] Per Michigan Administrative Information Network database search by Jessica Runnels, Senate Fiscal Agency.

Michigan Strategic Fund

(Michigan Economic Development Corporation)

Appropriations Summary	Actual[1]	Recommended	Savings
Interdepartmental Grants/Transfers	$ 100,900	$ 0	$ 100,900
Federal Funds	$ 62,953,300	$ 0	$ 62,953,300
General Fund/General Purpose	$ 37,224,200	$ 0	$ 43,080,200
Special Revenue Funds	$ 45,903,100	$ 0	$ 45,903,100
Gross Appropriation	**$146,181,500**	**$ 0**	**$152,037,500[2]**

The Michigan Economic Development Corporation (MEDC) is a quasi-public agency of the state. For budgeting purposes, the MEDC is not officially recognized as a state agency. The Strategic Fund, which was created in the 1980s, is the recipient of state and other funds that are used to operate the MEDC. The MEDC was created in 1999 and took over a portion of duties once held by the Michigan Jobs Commission (MJC). The MJC was a department designed to house all of the state's disparate "economic development" programs in one single unit. An executive order split the MJC in 1999 in favor of two newly created departments, known as the Michigan Department of Career Development and the MEDC.

The MEDC oversees work designed to "retain and expand jobs through business retention visitation programs."[3] The 231-employee MEDC is Michigan's chief dispenser of corporate welfare.

The MEDC is arguably the least necessary entity in state government. Its existence is based on several flawed premises and political considerations, such as:

- The assumption that state bureaucrats can foster wealth and job creation better than individual consumers, workers, bankers, insurers, investors and managers, whose collective decisions form the market economy.

- The assumption that the efforts of trade associations, industry groups, chambers of commerce, law and accounting firms, universities and a host of specialty consultants are insufficient to provide businesses with the expertise they need to grow and prosper in Michigan, and that state bureaucrats can supplement the services these organizations already provide.

- The assumption that engaging in an economic "war between the states" through selective tax credits and subsidies for large corporations is a more effective economic development strategy than across-the-board tax relief.

- The political fear that public officials will be seen as "doing nothing" to encourage economic development if they only remove barriers to the efficient operation of the free-market economy and refrain from state intervention.

The fact is that all the business support services provided by the MEDC, if needed at all, can be, and most often are already, provided by private-sector firms. The programs are subject to political considerations, and there is no reason to believe that state bureaucrats can invest capital any better than private-sector financial institutions and Michigan companies themselves. Michigan does not need a government-directed industrial policy; it needs leadership that understands and respects the operation of a free-market economy.

It is therefore recommended that the MEDC be eliminated entirely. Doing so will liberate significant state resources to be returned to Michigan citizens and businesses. State legislators also should change the law to ensure that all Strategic Fund revenues generated through Indian Gaming Compacts be redirected to the General Fund. Doing so will raise approximately $11.5 million annually for state coffers.[4]

Program: Administrative positions

Appropriation:	All From GF/GP:	$5,228,100
	Total:	$5,228,100[5]

Program Description:
This appropriation funds the department's administration positions.

Recommended Action:
This line item should be eliminated with the rest of the department. **Savings: $5,228,100.**

Program: Job creation services

Appropriation:	Interdepartmental Grants:	$ 100,900
	Federal Funds:	$ 2,953,300
	Special Revenue Funds:	$ 903,100
	GF/GP:	$19,861,600
	Total:	$23,818,900[6]

Program Description:
This appropriation funds the work of full-time employees who support the work associated with MEDC programs. These programs include, for example, Travel Michigan, E-MEDC, the MEDC's public affairs office, and the Michigan Economic Growth Authority, to name a few. The following is a description of each of the four most notable programs supported by the job-creation services appropriation.

Program Recommendation:
These functions should be eliminated with the rest of the department.

Travel Michigan: Travel Michigan helps the Michigan Travel Commission by marketing the state as a destination for tourists. According to its web site, it also maintains a telephone service that the public can call to get information about traveling in Michigan. The marketing services of this group should be left to private groups such as businesses and their trade representatives.

E-MEDC: This section is described in House Fiscal Agency documents as coordinating "information technology and e-business efforts; customer assistance and customer advocacy units; export services and ombudsman office." According to officials at the E-MEDC office, information technology and e-business efforts include internal web support to MEDC staff and Michigan "Careersite" operations. The MEDC's creation and maintenance of Careersite is an example of a state agency that uses state funds to compete directly with a private, for-profit, taxpaying businesses.

It also underscores the fact that Michigan state government is now so big and bewildering that it competes against itself. Consider the case of "Careersite," operated by the MEDC, and "Michigan Talent Bank," operated by the Michigan Department of Career Development (MDCD). Each agency carries out the same function — bringing job seekers and job providers together — and competes not just with each other, but also with hundreds of private, Michigan-based job recruitment companies.

Why does the state run these redundant websites? According to the MEDC, Michigan Careersite was created to help attract "skilled workers in Information Technology, Life Sciences, and Advanced Manufacturing." The MDCD says its Michigan Talent Bank is intended to "bring employers and employees together," but since it does not exclude skilled workers from any field, the two sites end up performing overlapping duties. In addition, an MEDC brochure about Michigan Careersite boasts of its ability to "grab" jobs posted on Michigan's Talent Bank and move them to its own.

Private recruitment companies have long helped employers find qualified workers to fill jobs. During the 1990s, Michigan alone saw 348 new human resource firms spring up to fill this role. Michigan also is home to many privately run labor exchange web sites, such as Careermatrix.com. Its founder, Dennis Hoyle, is not thrilled with the state's involvement in his business: "It really is irksome to see the state using our tax dollars to compete against us," he said. "Moreover, it's bizarre watching the agencies competing against each other. There really isn't much difference between the two sites."

Unfair competition from the state is all the more striking given then-Gov. Engler's comment in November 1999: "Tax policy is best which is simple and uniform, and which treats similarly situated activities in the same manner." There is nothing fair about subsidized state agencies paying zero taxes while competing with private, for-profit, taxpaying firms.

Additionally, a number of general web sites in the state, such as mlive.com, operate labor exchanges, and many online newspapers post their want ads electronically. There are over 6,000 web sites specifically dedicated to job recruitment nationwide, and most of these private organizations do their work without costing the taxpayer a cent. Meanwhile, the MEDC is spending about $500,000 taxpayer dollars per year to operate Michigan Careersite for its first two years. The MDCD does not know what it costs to operate the Michigan Talent Bank.[7]

Michigan Economic Growth Authority: In April 1995, the state created the Michigan Economic Growth Authority (MEGA), an agency empowered to issue tax credits to companies that promise to expand in or relocate to, Michigan.

No company should be blamed for accepting a legal tax credit when it is offered, just as no individual should be faulted for taking a credit on his personal income tax form. But what makes these discriminatory MEGA credits problematic is that they are both unnecessary and unfair. Businesses — and the economy generally — would be better off with a fair field and no favor, a climate of lower tax burdens for all and discriminatory treatment for none. To date MEGA officials, working in concert with the MEDC, have arranged for companies to receive as much as $2 billion in tax credits, abatements and job training subsidies. For more on this subject see the Mackinac Center for Public Policy web module on economic development at http://www.mackinac.org/ecodevo. **Savings: $23,818,900.**

Program: Michigan promotion program

Appropriation:	All from GF/GP:	$7,442,500
	Total:	$7,442,500[8]

Program Description:
This appropriation funds the Michigan Promotion Program. This program is designed to market Michigan as a destination choice for tourists. The funding helps create and distribute publications, such as "Michigan Travel Ideas," that tout the Great Lakes State as a great place to visit. Another example of marketing funded by this line item involves the so-called, "Warm Weather Media" campaign of fiscal year 2002. This was a $4 million advertising initiative targeted to people in Chicago, Indianapolis, Cleveland, and Green Bay, to encourage them to think about Michigan as a summer destination.[9]

Recommended Action:
The Michigan Promotion Program should be eliminated with the rest of the MEDC. There are at least three compelling reasons for ceasing this operation. First, it is unnecessary. Thousands of Michigan businesses have every incentive to encourage tourism in Michigan on their own, or by using their respective industry associations. The Tourism Industry Coalition of Michigan, which exists to increase awareness of tourism in the Great Lakes State; the West Michigan Tourist Association, which does the same for the west side of Michigan; and the Travel Industry of America are all good examples. Second, it is unfair. Thousands of Michigan businesses derive no direct benefit from tourism yet are taxed to pay for the benefits of advertising for those who do. Third, there is no empirical evidence to prove that this program delivers more tourism to Michigan than would have occurred if central planners simply left tourism to the private sector.

During fiscal year 2002 this line item funded $100,000 in advertising for the for-profit company Cabela's Retail, Inc. Cabela's is a mammoth catalog and retail outlet for everything related to outfitting outdoor sports enthusiasts. It ships over 60 million catalogs to every state and 120 countries every year and maintains seven retail outlets. The MEDC arranged for Cabela's to receive millions in financial incentives in exchange for opening a 200,000-square-foot store in Dundee, Mich.[10] Cabela's accepted the state's offer and opened its Dundee store in October, 2000. One component of the incentive package was subsidized advertising. The MEDC also arranged for Cabela's to get other promotional assistance, including:

- $300,000 in catalog advertising from Cabela's Retail, Inc. over a three-year period;
- One full-page ad in the state's tourism publication, "Michigan Travel Ideas," to Cabela's ($100,000 in value);
- Full access to the state's "Travel Michigan" database, which contains the names and addresses of over a million people seeking information about travel in Michigan ($80,000 in value);
- Free marketing and publicity assistance surrounding the official grand opening ceremony of Cabela's in Dundee ($25,000 in value);
- Cabela's "free" membership in the state's "Circle Michigan" tour promotional organization ($4,500 in value). Circle Michigan is a private association that works with bus operators to help increase tours for groups to attend trade shows and other special events.

Businesses and trade groups should do their own marketing. There is no reason for the state to reach into the pockets of small and medium-sized sports retailers (there are more than 1,000 in Michigan) to subsidize the operations of the state's biggest sports retailer. (For more on Cabela's Retail, Inc., and the MEDC see subsequent reference below, and the article, "A Tale of Two Sporting Goods Stores," in the Summer 2002 edition of Michigan Privatization Report.[11] **Savings: $7,442,500.**

Program: Economic development job training grants

Appropriation:	All from GF/GP:	$13,548,000
	Total:	$13,548,000[12]

Program Description:
This appropriation funds job training grants to firms that MEDC officials believe are worthy of special job training assistance.

Program Recommendation:
Businesses have always been able to train employees to suit their needs. When state officials grant subsidies to one company to train employees they often put their in- or out-of-state rivals at a competitive disadvantage.

Consider one example first highlighted by the Mackinac Center for Public Policy in 2000. Boar's Head Provision Company is a meat products company headquartered in Brooklyn, N.Y. In exchange for that company's promise to invest $14 million and create 450 new jobs in Michigan, the Michigan Jobs Commission arranged in 1998 to give Boar's Head an "economic development package" worth up to $5.1 million in federal, state and local resources—including up to $450,000 in economic development job training grants. Armed with these incentives, the company opened a processing plant near Holland, Mich., on Dec. 13, 1999.

The Michigan Jobs Commission, now the MEDC, counted 450 "new" jobs as the agency's contribution to the Michigan economy through the Boar's Head deal. What the agency's self-serving pronouncements do not state is the impact of the deal on other Michigan businesses, such as Koegel Meats, Inc., in Flint.

Like Boar's Head, Koegel makes meat products. A Michigan-based family business for three generations, Koegel produces an extensive line of cold cuts and the popular "Koegel's Vienna Frankfurters" that are grilled by the millions in Michigan back yards every summer. The company's meat products still use recipes devised by Albert Koegel when he emigrated from Germany to Michigan and started the company in 1916. The firm sells 99 percent of its product in Michigan and employs 110 people at its Flint facility.

Al Koegel, son of the founder, is not one to make a big fuss about unfair competition. Like his father before him and his son John who will carry on after him, Al would rather run the business than spend time lobbying politicians. He cannot help but point out when asked, however, that for all of its 84 years, Koegel Meats always paid its taxes and never took a dime of taxpayer money: no abatements, no subsidies. The company always trained its own employees with its own funds, and continues to do so to this day.

Such targeted assistance may be called "economic development" by government officials, but, it is more likely just another example of robbing Peter to pay Paul.[13] **Savings: $13,548,000.**

Program: Community development block grant program

Appropriation:	All from Federal Funds:	$60,000,000
	Total:	$60,000,000[14]

Program Description:

This appropriation funds the Community Development Block Grant program. This line item involves $60 million in federal grants that are passed down to the state and made available to local units of government for infrastructure projects such as new sewers in low- and –moderate-income areas. Such matters should be handled exclusively by the local unit that derives all of the benefits. The state should refuse these federal grants. For more on refusing federal funds, see Appendix I.

At the very least, this money should not be passed through the Michigan Economic Development Corporation. The spirit of these grants is to help low- and –moderate-income people, but it has been largely used to subsidize the costs of large, for-profit businesses. For instance, in association with the state's Michigan Economic Growth Authority (MEGA), the MEDC has offered more than $55 million in Community Development Block Grants (CDBG) to indirectly subsidize the location or expansion of businesses in Michigan. Consider one example:

Cabela's Retail, Inc., which is referenced above for having received hundreds of thousands in promotion money, also got $1.3 million from state grant makers that was earmarked for such things as storm drain construction through the federal government's CDGB program. The reason the state can get away with using CDBG money to help Cabela's is that the Dundee area qualifies as a lower income area of the state. But the primary beneficiary of the program — Cabela's — is far from being low income.

It is worth noting that one reason people have relatively fewer employment opportunities in the Dundee area is that they choose to live in an area with a less-developed economic base. This does not, by default, mean that government should deliver that economic base and corresponding opportunity to their doorsteps with corporate welfare programs. The decision by a firm to locate in a particular area should be driven solely by the calculus of the firm operating in a free market, not based on what government officials are willing to give it. **Savings: $60,000,000.**

Program: Life Sciences Corridor Initiative

Appropriation:	All from Special Revenue Funds:	$45,000,000
	Total:	$45,000,000[15]

Program Description:
This appropriation funds the Life Sciences Corridor Initiative (LCSI). This initiative is funded solely through money obtained though tobacco settlement proceeds. By 1998, 40 states sued tobacco companies under a variety of legal theories. One of the dominant theories is that tobacco companies are responsible for large health costs borne by the state for smoking-related illnesses.

The LSCI was created in 1999 to help facilitate the growth of biotech firms in the state of Michigan. There are at least 45 LSCI-type programs sponsored by units of government around the country, and many of these are funded through the $8.5 billion state tobacco settlement money. Michigan's program is effectively corporate welfare for a specific industry. Consider just two of the grants issued through the LSCI.

GeneGo, Inc. — GeneGo is a private firm that works in what is known as the "post-genome bioinformatics and systems biology" field. That is, the company maintains a database of models for human tissues and diseases to help researchers discover previously unrecognizable ways that people acquire and suffer from certain diseases and even new ways to treat those diseases. GeneGo, Inc., moved to New Buffalo, Michigan (about one mile inside Michigan's border) from its original home in Portage, Indiana. According to The Detroit News, GeneGo moved to Michigan after being promised a "$200,000 state grant and the possibility of future funding" from state officials.

The initial state favor provided to GeneGo appears to have come in the form of a very low-interest loan of $210,000[16] made by the MEDC through a private venture capital fund, known as Sloan Enterprises, L.L.C. Sloan is the recipient of $843,000 awarded through the 2001 fiscal year LSCI grant process. The loan rate is 6 percent. According to one Michigan venture capitalist, who asked to remain anonymous for fear of MEDC retribution, this loan rate is about 24 percent less than most venture capitalists demand for taking outrageously high risks. In other words, since MEDC officials are not risking their own money, why charge a risk premium in exchange for loaning money to ventures with a high likelihood of failure? Governments have an overall poor record of picking winners and losers in the marketplace. Governments should not be making such investment decisions. If venture capitalists won't voluntarily risk their own money for a 30 percent return on investment, Michigan citizens should not have to watch their tobacco settlement dollars placed at risk for a 6 percent return.

How have venture capitalists been responding to today's investment environment? They have been retreating. According to Thomson Venture Economics and the National Venture Capital Association, the venture capital industry was able to raise $107.7 billion dollars for investment in new industries and firms in the year 2000. In 2002 it is on pace to raise just $7 billion, a 94 percent drop in less than two years. Yet during this same time, the MEDC has overseen a dramatic and direct increase in investments in firms that venture capital investors are avoiding with good reason. The National Association of Securities Dealers' Automated Quotation Biotech Index, which measures the performance of a basket of publicly traded biotech companies, has declined from a high of 1,600 in 2000 to 400 in 2002, a drop of 75 percent — and a much larger percentage drop than the Dow Jones Industrial Average or the S&P 500 over the same time period.

State officials might respond by saying, "Well, we are not investing taxpayer's money, it is tobacco settlement money." That's correct, but it is important to remember that everything has a cost, even if it is just an opportunity cost. If we direct tobacco settlement money to high-risk industrial policy we have to find other money to fund the core, but unglamorous needs of the state, such as road improvements and police. Savings from eliminating this program should be redirected to the General Fund/General Purpose component of the state budget. **Savings: $45,000,000.**

Michigan Biosciences Industry Association — This group does not show up in the state budget, but it received $1.6 million from the MEDC to subsidize its "human resource" work. It is essentially a "head hunter" subsidy, designed to give hand-picked, for-profit businesses the opportunity to let the state pay for finding highly skilled employees. Besides being unfair to those biotech companies who have to use their own funds to hire firms for this research, this subsidy is another blow to Michigan's staffing services industry (see discussions on CareerSite, above).[17]

[1] Act No. 526, Public Acts of 2002, p. 1.
[2] The savings figures listed here are greater than those listed as actual appropriation figures in Act No. 516. This reflects dramatic increases in revenue to the Michigan Economic Development Corporation after Act No. 516 was passed into law.
[3] Bob Schneider and Barbara Graves, "Line Item and Boilerplate Summary, Career Development and Michigan Strategic Fund, Fiscal Year 2003," December 2002, p. 20.
[4] This estimate is based on information provided by Howard Heideman, Manager of Tax Policy, Office of Revenue and Tax Analysis, Michigan Department of Treasury, on Nov. 4, 2002.
[5] Act No. 516, p. 4.
[6] Schneider and Graves, p. 20.
[7] Michael LaFaive, "State Job Sites Duplicates Services," Michigan Privatization Report, Summer, 2001, p. 7, 12.
[8] Schneider and Graves, p. 21.
[9] Michigan Economic Development Corporation/Travel Michigan Advertising and Promotion document for the fiscal year 2002 obtained via the Freedom of Information Act. Lansing: October, 2002.
[10] Michael LaFaive, "A Tale of Two Sporting Goods Stores," Michigan Privatization Report, Summer 2002, p. 8-9.
[11] Ibid.
[12] Schneider and Graves, p. 21.
[13] This section was adapted from Mackinac Center for Public Policy Viewpoint, "Government Economic Development Handouts Rob Peter to Pay Paul," Feb. 7, 2000, accessible on the Internet at http://www.mackinac.org/article.asp?ID=2670.
[14] Act No. 516, p. 4.
[15] Ibid.
[16] Promissory Note dated Nov. 20, 2001 between GeneGo, Inc., a Delaware corporation, and the Michigan Economic Development Corporation, obtained through Freedom of Information Act, September, 2002.
[17] Michigan Economic Development Corporation Life Sciences Press Release Attachment, June 4, 2002, p. 1. Accessible on the Internet at http://medc.michigan.org/cm/attach/CF2F01DA-B1B4-4F72-A03A-AD64102DB833/6-5-2002_Life%20Science%20Awards.pdf.

Department of Military and Veterans Affairs

Appropriations Summary	**Actual[1]**	**Recommended**	**Savings**
Interdepartmental Grants/Transfers	$ 200,000	$ 0	$ 200,000
Federal Funds	$ 39,114,500	$30,196,220	$ 8,918,280
General Fund/General Purpose	$ 40,082,600	$26,669,480	$13,413,120
Special Revenue Funds	$ 23,967,600	$16,480,800	$ 7,486,800
Gross Appropriations	**$103,364,700**	**$73,346,500**	**$30,018,200**

The Department of Military and Veterans Affairs (DMVA) has two primary missions. The first is to "execute the duties laid down by state statute and the Governor."[2] These duties include providing "executive oversight and coordination for state veterans programming," the largest part of which includes operating two veterans' homes. According to the state, this first mission accounted for 63 percent of the department's fiscal year 2000 budget.[3]

The second mission of the department of military and veterans affairs is to "ensure the preparedness of the Michigan National Guard" whose role is to "protect lives and property in times of natural disaster … and to assist the federal government in defending the sovereign interests of the United States …"[4]

In addition, the department operates education-related programs for "at-risk" youth at Selfridge Air National Guard Base and in Battle Creek.

I. Headquarters and Armories

Program: ChalleNGe program

Appropriation:	Interdepartmental Grant:	$ 200,000
	Federal Funds:	$1,651,200
	Special Revenue Funds:	$ 105,000
	GF/GP:	$1,340,700
	Total:	$3,296,900[5]

Program Description:
In operation since 1999, Michigan Youth ChalleNGe Academy, located in Battle Creek, is a tax-exempt, nonprofit corporation that runs two 22-week military-style residential programs each year for "at-risk" youth and high school dropouts between the ages of 16 and 18. For completing the program, each participant earns a high school General Equivalency Diploma (GED). Student participation in the program is voluntary. Following successful completion of the residential phase, volunteers work with graduates in their respective communities for 12 months.

Approximately a third of the academy's graduates enter military service, a third go on to college or vocational studies, and a third enter the workforce. Additionally, the program reports that follow-up tracking of ChalleNGe program graduates indicates very low incidences of contact with the criminal justice system — a possible savings for taxpayers who might otherwise have to pay for incarceration and/or other correctional costs.

This program receives about 320 applicants per year. From this number, some are not accepted and some drop out of the program during the first two weeks. Of those who remain, anywhere from 120 to 160 actually earn their GED and 15 college credits.[6] With a total annual budget of $3,296,900 in 2002[7], that represents a cost of $20,605 per graduate (based on 160 graduates).

Recommended Action:
There is no compelling reason for the DMVA to fund such a program. Preparing students for a General Equivalency Diploma is the responsibility of schools, parents, and students themselves. The intentions of this program — and the program itself — are laudable, but it is an initiative that can and should be organized and funded through the voluntary efforts of individuals and existing institutions. **Savings: $3,170,700.**

II. Departmentwide Appropriations

Program: Starbase grant

Appropriation:	All from Federal Funds:	$600,000
	Total:	$600,000[8]

Program Description:
This appropriation funds the Starbase Program. This program — founded in fiscal year 1991 by Barbara Koscak, a professional educator, and the 127th Fighter Wing Division — is aimed at attracting and preparing students for science, mathematics, engineering and technology-related fields of study, with special attention given to youth. The program, housed at Selfridge Air Force Base, gives students hands-on experience with high-tech equipment.

According to the U.S. Department of Military and Veterans Affairs website, the goals of Starbase include "provid[ing] students and teachers with an exceptional program for hands-on science, math, technology, substance abuse prevention, and goal setting skills." It also seeks to "develop strong self-esteem and positive attitudes for students and teachers."[9] The program "targets its mission with minority at-risk students in the fifth and sixth grades,"[10] through "56 separate classes over 5 week periods … [and] summer programs …"[11]

According to Koscak, the program has raised about $1.2 million in private contributions during the past 3 years; money it has used to acquire much of the program's unique equipment and facility enhancements.[12]

Recommended Action:
This appropriation should be eliminated. Helping inspire low-income children to stay in school and to excel in math and science is laudable. It does not follow, however, that government funding is necessary to make this program work. Indeed, Kettering University in Genesee County runs "pre-college programs" for young people interested in engineering and mathematics and it does so without government assistance. **Savings: $600,000.**

III. Veterans Service Organizations

Program: Veterans Service Organizations (Section 105)

Appropriation:	All from GF/GP:	$3,912,300
	Total:	$3,912,300[13]

Program Description:
This appropriation funds Veterans Service Organizations (VSOs). In some states, the government department that handles veterans' affairs employs personnel to assist veterans in filling out the required paperwork for obtaining veterans' benefits. In Michigan, the Department of Military and Veterans Affairs does not employ such people, so the job of assisting veterans falls to veterans groups themselves.

In Michigan, there are 12 VSOs that receive yearly grants from the state general fund.[14] According to state documents, these funds are primarily used to pay the salaries of organizational personnel who "assist veterans in obtaining benefits, primarily from the U.S. Department of Veterans' Affairs."[15]

The VSOs are required to submit an annual report to the Michigan Department of Military and Veterans Affairs to account for the grant monies they receive from the state. Some groups submit audited reports while others do not, depending on their size, resources, etc. Although the Department of Military and Veterans Affairs serves as the conduit for distributing the funds, the VSOs are not accountable to the department for how the funds are spent.

Recommended Action:
This program should be eliminated. While it is well intentioned, veterans are quite capable, in most instances, of relying on their own efforts, and it is in their self-interest to do so. Disabled veterans who need the help of friends, family, church or other institutions should have no trouble obtaining the benefits due to them without this program. Moreover, VSO funds are distributed in part to religious and ethnic groups: Catholic veterans, Polish veterans, Jewish veterans. **Savings: $3,912,300.**

IV. Grand Rapids and D. J. Jacobetti veterans' homes

Program: Grand Rapids veterans' home

Appropriation:	Interdepartmental Grant:	$ 0
	Federal Funds:	$13,102,900
	Special Revenue:	$14,260,700
	GF/GP:	$15,201,100
	Total:	$42,564,700[16]

Program: D. J. Jacobetti veterans' home

Appropriation:	Interdepartmental Grant:	$ 0
	Federal Funds:	$3,564,800
	Special Revenue:	$4,193,800
	GF/GP:	$5,199,200
	Total:	$12,957,800[17]

Program Description:
This appropriation funds the Grand Rapids Home for Veterans, and the D. J. Jacobetti Home for Veterans. The two homes combined maintain 940 beds for veterans. Funding for these two facilities comprises 63 percent of the state's Department of Military and Veterans Affairs budget. Because of their size and the many regulatory agencies under which they must be licensed, the nursing homes are complex operations. Along with GF/GP appropriations, the homes have other sources of revenue, such as federal funds, insurance reimbursement and some fees generated for particular services. Michigan's veterans' hospitals charge about $190 per day per patient. By contrast, the statewide average for private-sector care ranges between $120 to $130 per day per patient. Michigan Department of Military and Veterans' Affairs officials acknowledge that they are the two most expensive nursing homes in the state. [18]

The DMVA has had some success in outsourcing some staff functions, such as certified nursing aides, housekeeping, physical therapy, and fire and safety functions. Officials at the Grand Rapids Home for Veterans estimates that such outsourcing has saved taxpayers about $1,690,000 since 1995.[19]

Recommended Action:
Outsource the entire operation of these nursing homes to the private sector. A well-written contract between the state and private nursing homes can guarantee whatever level of quality is now being maintained (if not better) while saving money. The state contracts out for management of an entire prison; the same could be done for nursing homes.

Privatization has worked for other states' veterans' homes. The state of Georgia contracted with Priva-Trends, Inc. for management of the Georgia War Veterans Home, which covers more than 20 acres and maintains 550 beds.

The 10-year management contract with Priva-Trends began in 1997 and is expected to save the state an average of $10,600,000 per year. Before Priva-Trends took over the Home, the per-patient daily rate for advanced-care patients was $164. As a result of the contract, this cost dropped to $92 — a 44 percent savings. Those patients requiring simple residential services were costing the state of Georgia $101 per patient per day, but under the contract this cost dropped to $59.91, or 40 percent. More importantly, an analysis by the U.S. Department of Veterans Affairs revealed that Georgia's veterans are now getting better care under the Priva-Trends contract than they did when the home was state managed. **Savings: $22,209,000.**

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[1] Act No. 514 Public Acts of 2002, p. 1.
[2] Kyle Jen and Julie Stapleman, "Line Item and Boilerplate Summary, Military and Veterans Affairs Fiscal Year 2002, January 2002, p. 1.
[3] Michigan Manual 2001-2002, "Department of Military and Veterans Affairs," Lansing, Sept. 2001, p. 519.
[4] Ibid.
[5] Act No. 514, p. 2.
[6] Telephone interview of Ben Wallace, Admissions Coordinator by Mackinac Center for Public Policy Director of Leadership Development Brian Carpenter, Nov. 1, 2002.
[7] Act No. 514, p. 2
[8] Ibid.
[9] Department of Military and Veteran Affairs website on 8/27/2002 http://www.michigan.gov/dmva/0,1607,7-126-2361_3114-11634--,00.html.
[10] Department of Military and Veteran Affairs website on 10/29/2002 http://www.michigan.gov/dmva/0,1607,7-126-2361_3114-11669--,00.html.
[11] Starbase, Inc., tax form "Return of Organization Exempt from Income Tax," for 2001 (form 990), March 7, 2002.
[12] Interview of Barbara Koszak by Mackinac Center for Public Policy Director of Leadership Development Brian Carpenter, Nov. 2002.
[13] Act No. 514, p. 2.
[14] Ibid.
[15] Ibid.
[16] Ibid.
[17] Ibid.
[18] Telephone interview of Lieutenant General E. Gordon Stump by Mackinac Center for Public Policy Director of Leadership Development Brian Carpenter, November 2002.
[19] Interview of Hubert B. Hess by Mackinac Center for Public Policy Director of Leadership Development Brian Carpenter, Nov. 13, 2002.

Department of Natural Resources

Appropriations Summary	**Actual[1]**	**Recommended**	**Savings**
Interdepartmental Grants/Transfers	$ 3,437,900	$ 2,171,700	$ 1,266,200
Federal Funds	$ 30,427,300	$ 28,006,525	$ 2,420,775
General Fund/General Purpose	$ 43,824,300	$ 43,350,600	$ 473,700
Special Revenue Funds	$180,030,100	$165,476,575	$14,553,525
Gross Appropriation	**$257,719,600**	**$239,005,400**	**$18,714,200**

The Michigan Department of Natural Resources (MDNR) is one of two departments in the state government dedicated to protecting Michigan's environment. In 1995, Gov. Engler reorganized the MDNR by dividing its duties between environmental and natural resource protection. The Department of Environmental Quality concentrates its efforts on regulation, such as issuing permits for industrial facilities, and enforcement of environmental regulations, and will be examined in more detail in a separate chapter. The MDNR now focuses its efforts solely on "stewardship of Michigan's natural resources and for the provision of outdoor recreational opportunities . . ."[2]

I. Fisheries Management

Program: Fish production

Appropriation:		
	Federal Funds:	$4,095,900
	Special Revenue Funds:	$2,776,500
	Total:	$6,872,400[3]

Program Description:
This appropriation funds fish production programs. The line item for "fish production" describes a state program for collecting, growing and hatching eggs, and transporting fish both to the Great Lakes and to inland waters for deposit. Our state has been in the hatching business since 1873, when $1,200 was first appropriated for the construction of a hatchery in Cass County. The state owns and operates six fish hatcheries.

Program Recommendation:
State lawmakers should, at a minimum, outsource the production of fish to Michigan's commercial fish hatcheries. As of 2000, Michigan was home to 65 private aquaculture facilities (licensed by the state to raise fish for sale), 33 of which are commercial trout operations. The value of fish stock produced in Michigan ranks 12th among states.

According to a survey conducted by Michigan Privatization Report, 19 other states currently supplement or intend to supplement their fish production by purchasing stock from private, for-profit businesses. The state of Oregon, which owns 34 hatcheries, is beginning a program to ensure that 10 percent of the state's fish stock is obtained through private sources.

How much might outsourcing fish production save the state? It is impossible to tell precisely without actually contracting out the operations of at least one hatchery. But we can make a rough estimate based on public- versus private-sector costs. According to MDNR officials it costs the state $6.92 per pound to raise fish based on its "known costs." Sometimes, not every expense of running a government operation is easily identifiable. Expenses for electricity or pensions, for instance, may be charged to a different department, which make the true cost of providing a service seem smaller than it really is. Private-sector aquaculture officials say it costs private producers about $2.00, or 71 percent less. If the private sector could produce fish for just 25 percent less than it currently costs the state, the savings would come to $1,718,100. **Savings: $1,718,100.**

II. Parks and Recreation

Program: MacMullan conference center

Appropriation:	All from Interdepartmental Grants:	$1,266,200
	Total:	$1,266,200[4]

Program Description:
This appropriation funds the MacMullan conference center. The conference center is a state-owned and run motel/lodge located on Higgins Lake in Roscommon. The facility's clientele is effectively limited by state statute. That is, in order to stay at the center one must belong to a group approved by state officials.

Recommended Action:
The MacMullan conference center and corresponding land should be sold to the private sector. The state should not be in the business owning and operating a resort-type facility for its employees and their guests.

Even though the conference center is supported by taxpayers, only those favored by state law can actually use it. These include: environmental and conservation education groups; government agencies; educational institutions; nonprofit corporations and associations; and organizations hosting an event that has a natural resources or environmental agenda. (Ironically, it was private sector companies that lobbied for these restrictions — to limit the state's ability to take away their business.)

MacMullen has six lodges for overnight accommodations and nine classrooms. The center can sleep up to 135 people each night. The conference center also maintains 660 feet of beachfront access for swimming and fishing, as well as such amenities as volleyball, horseshoes, shuffleboard and basketball facilities.

The good news about MacMullan is that it usually raises enough money to cover its own direct costs, which helps avoid direct subsidies from state taxpayers. The bad news is that, according to MacMullan manager Jim Scott, roughly 60 percent of those paying to stay at the hotel/conference center are from other government institutions, excluding public schools and universities. In other words, taxpayer-funded state agencies are footing the bill for most of MacMullan's upkeep, which constitutes a defacto subsidy.

What might MacMullan sell for if it were sold openly on the market? It is impossible to say precisely, but a comparative analysis can give us a general idea. Coldwell Banker is currently listing 7.4 unimproved acres on Higgins Lake with 460 feet of frontage for $2.3 million. MacMullen has four times the acreage and almost one-third more lake frontage. The state could reap $10 million. [5] **Savings: $1,266,600.**

Park Fees

The state of Michigan owns and operates a series of state parks. User fees do not cover the cost of operating these facilities. User fees could be set high enough to cover the cost of running these parks without state subsidies. In the past five years the state parks have generated an annual average of 64.3 percent of their operating dollars. A change in law would be necessary to remove the current statutory requirement that there be a GF/GP appropriation at least equal to the fiscal year 1994 appropriation, plus adjustments for inflation. The resulting fee hike should generate an additional $25.2 million annually. **Revenue enhancement: $25,280,155**.

Program: Recreational boating

Appropriation:	All from Special Revenue Funds:	$12,306,700
	Total:	$12,306,700[6]

Program Description:
This appropriation funds recreational boating programs in the state of Michigan. It is composed of two distinct programs. The first is the "Public Access Site Program." The second is the "Docks and Harbor Development Program." Below are descriptions of each.

The state currently oversees a network of 81 marinas and harbors designed to protect boaters from the elements or other emergencies. The goal of the state is to ensure that boaters in trouble have no more than 30 miles between safe harbors. It has developed this network through various funding mechanisms including a) direct state aid; b) grants and aid from other levels of government; and c) public-private partnerships whereby private developers build and manage harbors under a long-term lease arrangement with the state. [7]

Public Access Site Program. This program allows the state to "acquire, develop, operate, and maintain properties to provide access to the Great Lakes, inland lakes over 100 acres in size, and navigable rivers and streams for boating and recreational activities."[8] The Parks and Recreation Bureau, which oversees this program, manages more than 700 boat-launching facilities across the state and has subsidized the creation of more than 400 others in concert with local units of government and "other Divisions within the Department."[9] The state often partners with private-sector businesses or groups to develop and maintain sites under long-term lease arrangements.

Docks and Harbor Development Program. This program is designed to encourage "tourist-related" economic development by assisting with the development and operation of harbors and docking facilities for recreational boaters on the Great Lakes shoreline. There is not a large difference between this program and the Public Access Site Program, above.

Program Recommendation:
Both the Public Access Site program and the Docks and Harbor Development Program should be eliminated. Total responsibility for building boat launches, marinas, and harbors should be devolved to the local governmental unit (counties, villages, townships or cities) in which they reside. Management and construction of such sites is nothing new to local governments or private developers. If a new marina, harbor, or boat launch site is of value to the area the decision to fund it should come primarily from the local government or private investors who stand to gain the most from it.

Once the state devolves its ownership of such facilities to local units of government, those units should be free to privatize as they see fit. Privatization of such operations is nothing new. In 1986 and prior, the Ecorse boat ramp was managed by city employees and lost about $25,000 annually. The city outsourced launch management to a private firm. The result was a $50,000 turnaround. Not only was the city no longer on the hook for subsidies, it began receiving $25,000 in additional revenues generated by the site.

The large number and size of these facilities suggests that a careful analysis be made by state officials as to what would be the best way to go about moving state-owned and operated facilities from the MDNR's oversight to that of the proper local unit of government. **Savings: $12,306,700.**

Program: Michigan Civilian Conservation Corps

Appropriation:	Federal Funds:	$ 2,000
	Special Revenue Funds:	$1,304,600
	Total:	$1,306,600[10]

Program Description:
This appropriation funds the Michigan Civilian Conservation Corps (MCCC). This program is designed to help low-income participants gain work experience and receive job counseling. Its funding level for the 2003 fiscal year is down $2,400,000 from the previous fiscal year.

Program Recommendation:
The MCCC program should be eliminated. This is a Depression-era program and a reincarnation of the 1930s "Tree Army" that took to the forests of America to create work clearing paths, digging ditches, and related activities. The MCCC employs some 200 recruits, ages 18 to 25, to spruce up state parks, clear trails and rake beaches.

The majority of MCCC recruits are fed and housed by the state while earning $5.15 per hour on projects devised by the Department of Natural Resources (DNR). With a budget of $3.2 million for fiscal year 2002, the program cost per corps member ran a whopping $17,700 — or nearly three times what Michigan pays per pupil for public education each year.

Participants who log 1,700 hours become eligible for a federal education grant of $4,725 (or $2,362 for 900 hours of service). Enrollment suspends all payments due on outstanding student loans, while accrued interest is paid in full by taxpayers. The scholarship benefit, in fact, appears to be the principal draw for corps enrollment. Some 60 percent of participants cited the award as their primary reason for enlistment. Thus, Michigan families who may be struggling with their own college costs may be subsidizing federal tuition assistance for MCCC workers.

Whether Michigan's Civilian Conservation Corps fulfills its education and training goals is uncertain. No follow-up of participants has ever been undertaken.

The state has survived without the MCCC, and it can again. Budget constraints prompted Gov. John Engler to veto all funding for the program in 1991. Four years later, however, using proceeds from the sale of the state's accident fund, the Legislature created a $20-million endowment to generate about a third of the MCCC's current budget.[11]
Savings: $1,306,600.

III. Forest Resource Management

Program: Private forest development

Appropriation:	Federal Funds:	$369,800
	Special Revenue Funds:	$ 36,100
	GF/GP:	$473,700
	Total:	$879,600[12]

Program Description:
This appropriation funds a program that redistributes money to private landowners in hopes of facilitating wise ecological use of their property, and administers the Commercial Forest Act and certain federal grants.

Recommended Action:
This program should be eliminated. Private landowners, many of whom are financially well off, should be responsible for the stewardship of their own land, and they have a financial incentive to care for it wisely. Michigan citizens should not be forced to subsidize private landowners who already have sound reasons to facilitate a wise ecological use of their property. Removing this line item will hardly result in a dearth of advice on how to manage land in a way that is ecologically sound. Indeed, owners interested in such advice could consult any one of 40 Michigan-based land trusts. One group, the AuSable River System Property Owners' Association, plants trees annually under its "Trees for the AuSable" program to help maintain the banks of the AuSable river. **Savings: $879,600.**

Program: Adopt-a-forest program

Appropriation:	All from Special Revenue Funds:	$50,000
	Total:	$50,000[13]

Program Description:
This appropriation funds a grant available to private, nonprofit conservation organizations to help subsidize the cost of removing waste material (everything from cans to tires and old appliances) collected from state forestlands.

Recommended Action:
This program should be eliminated. While the intent behind this program is good, its existence begs the question, "why is this a province of state government?" Private conservation groups exist for conservation efforts such as this. Indeed, such groups already are granted special, "nonprofit" tax status. There is no reason to think that these institutions could not fund 100 percent of their own worthy efforts, without this small grant from state government. **Savings: $50,000.**

IV. Grants

Program: Forest stewardship grants

Appropriation:	All from Federal Funds:	$625,000
	Total:	$625,000[14]

Program Description:
This appropriation funds the forest stewardship grant. As with the "Private Forest Development" program, above, this program helps private landowners develop plans for long-term protection of private forest resources.

Recommendation Action:
This program should be eliminated. Private conservation groups exist for conservation efforts such as this. Indeed, such groups already are granted special, "nonprofit" tax status. There is no reason to think that these institutions could not fund 100 percent of their own worthy efforts, without this small grant from state government. **Savings: $625,000.**

Program: Urban forestry grants

Appropriation:	All from Federal Funds:	$400,000
	Total:	$400,000[15]

Program Description:
This appropriation funds Urban Forestry Grants. This program provides information and technical assistance to local governments and volunteer groups conducting urban forest activities such as tree inventories and planting.

Recommended Action:
This program should be eliminated. Local governments and nonprofit or volunteer groups — such as The National Arbor Day Foundation — should be responsible for their own urban forest activities. Indeed, The National Arbor Day Foundation runs its own conservation programs that give advice on such matters.[16]

The Detroit-based nonprofit corporation, The Greening of Detroit is another institution from which private citizens can obtain information about urban forestry. The group has planted 25,000 trees since its inception in 1989. It should be noted that 3 to 5 percent of the group's annual $1.3 million budget comes from federal and state grants — including the line item above. But that does not mean it could not thrive without government assistance. The other 95 percent of its funds are raised through donations, rather than through state and federal taxes. It seems unlikely that removing this line item from state government would doom the Greening of Detroit, or dim its enthusiasm for urban forestry. Another private, nonprofit group that citizens interested in urban forestry could turn to is the Global ReLeaf Foundation (GRF) of Michigan. The foundation works to plant trees in communities throughout the state. It raises 99 percent of its revenue privately. **Savings: $400,000.**

V. Miscellaneous

Program: Hunting access program

Appropriation:	All from Special Revenue Funds:	$162,000
	Total:	$162,000[17]

Program Description:
This appropriation funds the Hunting Access Program. This program leases private lands throughout southern Michigan for public hunting. For the upcoming fiscal year, the state has leased property from 119 landowners in 30 counties.[18]

Recommended Action:
This program should be eliminated. It is another example of something private individuals can handle without government funding or interference. Every year, thousands of Michigan hunters reach mutually beneficial agreements with private landowners with regard to hunting on the landowners' property. **Savings: $162,000.**

[1] Act No. 525, Public Acts of 2002, p. 1.
[2] Michigan Department of Natural Resources web site, "The Department of Natural Resources…" accessible on the Internet at http://www.michigan.gov/dnr/0,1607,7-153-10366-30397--,00.html.
[3] Act No. 525, p. 4.
[4] Act No. 525, p. 5.
[5] Portions of this program recommendation were adapted from the Fall 2002 Michigan Privatization Report article, "Privatize MacMullan Conference Center," accessible on the Internet at http://www.mackinac.org/4740.
[6] Act No. 525, p.5.
[7] Michigan Department of Natural Resources, "Michigan State Waterways Commission and Boating Programs," February 2002. p. 1, 3.
[8] Kirk Lindquist and Julie Stapelman, "Line Item and Boilerplate Summary: Natural Resources," House Fiscal Agency, January 2002. p. 12.
[9] Michigan Department of Natural Resources, "Parks and Recreation 2003 Program Descriptions," accessible on the Internet at http://www.michigan.gov/dnr/0,1607,7-153-10366-30487--,00.html.
[10] Kirk Lindquist and Julie Stapelman, January 2002. p. 11.
[11] Adapted from an article by Diane Katz, Mackinac Center for Public Policy director of science, environment, and technology "Depression-era Program Should Be Privatized," Michigan Privatization Report, p. 4. Accessible on the Internet at http://www.mackinac.org/article.asp?ID=4142.
[12] Act No. 525, p. 5.
[13] Lindquist and Stapelman, p. 17.
[14] Ibid.
[15] Act No. 525 p. 6.
[16] National Arbor Day Foundation website, "Programs," accessible on the Internet at http://www.arborday.org.
[17] Telephone interview of Jill Zimmerman, Financial Analyst, Michigan Department of Natural Resources, by Mackinac Center for Public Policy director of fiscal policy Michael LaFaive, Nov. 14, 2002.
[18] Michigan Department of Natural Resources, "2002-2003 Hunter Access Program Leased Lands," accessible on the Internet at http://www.michigan.gov/documents/0203HAP_41734_7.pdf.

Department of Natural Resources

Appropriations Summary	**Actual**[1]	**Recommended**	**Savings**
Interdepartmental Grants/Transfers	$ 3,437,900	$ 2,171,700	$ 1,266,200
Federal Funds	$ 30,427,300	$ 28,006,525	$ 2,420,775
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The Michigan Department of Natural Resources (MDNR) is one of two departments in the state government dedicated to protecting Michigan's environment. In 1995, Gov. Engler reorganized the MDNR by dividing its duties between environmental and natural resource protection. The Department of Environmental Quality concentrates its efforts on regulation, such as issuing permits for industrial facilities, and enforcement of environmental regulations, and will be examined in more detail in a separate chapter. The MDNR now focuses its efforts solely on "stewardship of Michigan's natural resources and for the provision of outdoor recreational opportunities . . ."[2]

I. Fisheries Management

Program: Fish production

Appropriation:	Federal Funds:	$4,095,900
	Special Revenue Funds:	$2,776,500
	Total:	$6,872,400[3]

Program Description:
This appropriation funds fish production programs. The line item for "fish production" describes a state program for collecting, growing and hatching eggs, and transporting fish both to the Great Lakes and to inland waters for deposit. Our state has been in the hatching business since 1873, when $1,200 was first appropriated for the construction of a hatchery in Cass County. The state owns and operates six fish hatcheries.

Program Recommendation:
State lawmakers should, at a minimum, outsource the production of fish to Michigan's commercial fish hatcheries. As of 2000, Michigan was home to 65 private aquaculture facilities (licensed by the state to raise fish for sale), 33 of which are commercial trout operations. The value of fish stock produced in Michigan ranks 12th among states.

According to a survey conducted by Michigan Privatization Report, 19 other states currently supplement or intend to supplement their fish production by purchasing stock from private, for-profit businesses. The state of Oregon, which owns 34 hatcheries, is beginning a program to ensure that 10 percent of the state's fish stock is obtained through private sources.

How much might outsourcing fish production save the state? It is impossible to tell precisely without actually contracting out the operations of at least one hatchery. But we can make a rough estimate based on public- versus private-sector costs. According to MDNR officials it costs the state $6.92 per pound to raise fish based on its "known costs." Sometimes, not every expense of running a government operation is easily identifiable. Expenses for electricity or pensions, for instance, may be charged to a different department, which make the true cost of providing a service seem smaller than it really is. Private-sector aquaculture officials say it costs private producers about $2.00, or 71 percent less. If the private sector could produce fish for just 25 percent less than it currently costs the state, the savings would come to $1,718,100. **Savings: $1,718,100.**

II. Parks and Recreation

Program: MacMullan conference center

Appropriation:	All from Interdepartmental Grants:	$1,266,200
	Total:	$1,266,200[4]

Program Description:
This appropriation funds the MacMullan conference center. The conference center is a state-owned and run motel/lodge located on Higgins Lake in Roscommon. The facility's clientele is effectively limited by state statute. That is, in order to stay at the center one must belong to a group approved by state officials.

Recommended Action:
The MacMullan conference center and corresponding land should be sold to the private sector. The state should not be in the business owning and operating a resort-type facility for its employees and their guests.

Even though the conference center is supported by taxpayers, only those favored by state law can actually use it. These include: environmental and conservation education groups; government agencies; educational institutions; nonprofit corporations and associations; and organizations hosting an event that has a natural resources or environmental agenda. (Ironically, it was private sector companies that lobbied for these restrictions — to limit the state's ability to take away their business.)

MacMullen has six lodges for overnight accommodations and nine classrooms. The center can sleep up to 135 people each night. The conference center also maintains 660 feet of beachfront access for swimming and fishing, as well as such amenities as volleyball, horseshoes, shuffleboard and basketball facilities.

The good news about MacMullan is that it usually raises enough money to cover its own direct costs, which helps avoid direct subsidies from state taxpayers. The bad news is that, according to MacMullan manager Jim Scott, roughly 60 percent of those paying to stay at the hotel/conference center are from other government institutions, excluding public schools and universities. In other words, taxpayer-funded state agencies are footing the bill for most of MacMullan's upkeep, which constitutes a defacto subsidy.

What might MacMullan sell for if it were sold openly on the market? It is impossible to say precisely, but a comparative analysis can give us a general idea. Coldwell Banker is currently listing 7.4 unimproved acres on Higgins Lake with 460 feet of frontage for $2.3 million. MacMullen has four times the acreage and almost one-third more lake frontage. The state could reap $10 million.[5] **Savings: $1,266,600.**

Park Fees

The state of Michigan owns and operates a series of state parks. User fees do not cover the cost of operating these facilities. User fees could be set high enough to cover the cost of running these parks without state subsidies. In the past five years the state parks have generated an annual average of 64.3 percent of their operating dollars. A change in law would be necessary to remove the current statutory requirement that there be a GF/GP appropriation at least equal to the fiscal year 1994 appropriation, plus adjustments for inflation. The resulting fee hike should generate an additional $25.2 million annually. **Revenue enhancement: $25,280,155**.

Program: Recreational boating

Appropriation:	All from Special Revenue Funds:	$12,306,700
	Total:	$12,306,700[6]

Program Description:
This appropriation funds recreational boating programs in the state of Michigan. It is composed of two distinct programs. The first is the "Public Access Site Program." The second is the "Docks and Harbor Development Program." Below are descriptions of each.

The state currently oversees a network of 81 marinas and harbors designed to protect boaters from the elements or other emergencies. The goal of the state is to ensure that boaters in trouble have no more than 30 miles between safe harbors. It has developed this network through various funding mechanisms including a) direct state aid; b) grants and aid from other levels of government; and c) public-private partnerships whereby private developers build and manage harbors under a long-term lease arrangement with the state. [7]

Public Access Site Program. This program allows the state to "acquire, develop, operate, and maintain properties to provide access to the Great Lakes, inland lakes over 100 acres in size, and navigable rivers and streams for boating and recreational activities."[8] The Parks and Recreation Bureau, which oversees this program, manages more than 700 boat-launching facilities across the state and has subsidized the creation of more than 400 others in concert with local units of government and "other Divisions within the Department."[9] The state often partners with private-sector businesses or groups to develop and maintain sites under long-term lease arrangements.

Docks and Harbor Development Program. This program is designed to encourage "tourist-related" economic development by assisting with the development and operation of harbors and docking facilities for recreational boaters on the Great Lakes shoreline. There is not a large difference between this program and the Public Access Site Program, above.

Program Recommendation:
Both the Public Access Site program and the Docks and Harbor Development Program should be eliminated. Total responsibility for building boat launches, marinas, and harbors should be devolved to the local governmental unit (counties, villages, townships or cities) in which they reside. Management and construction of such sites is nothing new to local governments or private developers. If a new marina, harbor, or boat launch site is of value to the area the decision to fund it should come primarily from the local government or private investors who stand to gain the most from it.

Once the state devolves its ownership of such facilities to local units of government, those units should be free to privatize as they see fit. Privatization of such operations is nothing new. In 1986 and prior, the Ecorse boat ramp was managed by city employees and lost about $25,000 annually. The city outsourced launch management to a private firm. The result was a $50,000 turnaround. Not only was the city no longer on the hook for subsidies, it began receiving $25,000 in additional revenues generated by the site.

The large number and size of these facilities suggests that a careful analysis be made by state officials as to what would be the best way to go about moving state-owned and operated facilities from the MDNR's oversight to that of the proper local unit of government. **Savings: $12,306,700.**

Program: Michigan Civilian Conservation Corps

Appropriation:	Federal Funds:	$ 2,000
	Special Revenue Funds:	$1,304,600
	Total:	$1,306,600[10]

Program Description:
This appropriation funds the Michigan Civilian Conservation Corps (MCCC). This program is designed to help low-income participants gain work experience and receive job counseling. Its funding level for the 2003 fiscal year is down $2,400,000 from the previous fiscal year.

Program Recommendation:
The MCCC program should be eliminated. This is a Depression-era program and a reincarnation of the 1930s "Tree Army" that took to the forests of America to create work clearing paths, digging ditches, and related activities. The MCCC employs some 200 recruits, ages 18 to 25, to spruce up state parks, clear trails and rake beaches.

The majority of MCCC recruits are fed and housed by the state while earning $5.15 per hour on projects devised by the Department of Natural Resources (DNR). With a budget of $3.2 million for fiscal year 2002, the program cost per corps member ran a whopping $17,700 — or nearly three times what Michigan pays per pupil for public education each year.

Participants who log 1,700 hours become eligible for a federal education grant of $4,725 (or $2,362 for 900 hours of service). Enrollment suspends all payments due on outstanding student loans, while accrued interest is paid in full by taxpayers. The scholarship benefit, in fact, appears to be the principal draw for corps enrollment. Some 60 percent of participants cited the award as their primary reason for enlistment. Thus, Michigan families who may be struggling with their own college costs may be subsidizing federal tuition assistance for MCCC workers.

Whether Michigan's Civilian Conservation Corps fulfills its education and training goals is uncertain. No follow-up of participants has ever been undertaken.

The state has survived without the MCCC, and it can again. Budget constraints prompted Gov. John Engler to veto all funding for the program in 1991. Four years later, however, using proceeds from the sale of the state's accident fund, the Legislature created a $20-million endowment to generate about a third of the MCCC's current budget.[11]
Savings: $1,306,600.

III. Forest Resource Management

Program: Private forest development

Appropriation:	Federal Funds:	$369,800
	Special Revenue Funds:	$ 36,100
	GF/GP:	$473,700
	Total:	$879,600[12]

Program Description:
This appropriation funds a program that redistributes money to private landowners in hopes of facilitating wise ecological use of their property, and administers the Commercial Forest Act and certain federal grants.

Recommended Action:
This program should be eliminated. Private landowners, many of whom are financially well off, should be responsible for the stewardship of their own land, and they have a financial incentive to care for it wisely. Michigan citizens should not be forced to subsidize private landowners who already have sound reasons to facilitate a wise ecological use of their property. Removing this line item will hardly result in a dearth of advice on how to manage land in a way that is ecologically sound. Indeed, owners interested in such advice could consult any one of 40 Michigan-based land trusts. One group, the AuSable River System Property Owners' Association, plants trees annually under its "Trees for the AuSable" program to help maintain the banks of the AuSable river. **Savings: $879,600.**

Program: Adopt-a-forest program

Appropriation:	All from Special Revenue Funds:	$50,000
	Total:	$50,000[13]

Program Description:
This appropriation funds a grant available to private, nonprofit conservation organizations to help subsidize the cost of removing waste material (everything from cans to tires and old appliances) collected from state forestlands.

Recommended Action:
This program should be eliminated. While the intent behind this program is good, its existence begs the question, "why is this a province of state government?" Private conservation groups exist for conservation efforts such as this. Indeed, such groups already are granted special, "nonprofit" tax status. There is no reason to think that these institutions could not fund 100 percent of their own worthy efforts, without this small grant from state government. **Savings: $50,000.**

IV. Grants

Program: Forest stewardship grants

Appropriation:	All from Federal Funds:	$625,000
	Total:	$625,000[14]

Program Description:
This appropriation funds the forest stewardship grant. As with the "Private Forest Development" program, above, this program helps private landowners develop plans for long-term protection of private forest resources.

Recommendation Action:
This program should be eliminated. Private conservation groups exist for conservation efforts such as this. Indeed, such groups already are granted special, "nonprofit" tax status. There is no reason to think that these institutions could not fund 100 percent of their own worthy efforts, without this small grant from state government. **Savings: $625,000.**

Program: Urban forestry grants

Appropriation:	All from Federal Funds:	$400,000
	Total:	$400,000[15]

Program Description:
This appropriation funds Urban Forestry Grants. This program provides information and technical assistance to local governments and volunteer groups conducting urban forest activities such as tree inventories and planting.

Recommended Action:
This program should be eliminated. Local governments and nonprofit or volunteer groups — such as The National Arbor Day Foundation — should be responsible for their own urban forest activities. Indeed, The National Arbor Day Foundation runs its own conservation programs that give advice on such matters.[16]

The Detroit-based nonprofit corporation, The Greening of Detroit is another institution from which private citizens can obtain information about urban forestry. The group has planted 25,000 trees since its inception in 1989. It should be noted that 3 to 5 percent of the group's annual $1.3 million budget comes from federal and state grants — including the line item above. But that does not mean it could not thrive without government assistance. The other 95 percent of its funds are raised through donations, rather than through state and federal taxes. It seems unlikely that removing this line item from state government would doom the Greening of Detroit, or dim its enthusiasm for urban forestry. Another private, nonprofit group that citizens interested in urban forestry could turn to is the Global ReLeaf Foundation (GRF) of Michigan. The foundation works to plant trees in communities throughout the state. It raises 99 percent of its revenue privately. **Savings: $400,000.**

V. Miscellaneous

Program: Hunting access program

Appropriation:	All from Special Revenue Funds:	$162,000
	Total:	$162,000[17]

Program Description:
This appropriation funds the Hunting Access Program. This program leases private lands throughout southern Michigan for public hunting. For the upcoming fiscal year, the state has leased property from 119 landowners in 30 counties.[18]

Recommended Action:
This program should be eliminated. It is another example of something private individuals can handle without government funding or interference. Every year, thousands of Michigan hunters reach mutually beneficial agreements with private landowners with regard to hunting on the landowners' property. **Savings: $162,000.**

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[1] Act No. 525, Public Acts of 2002, p. 1.
[2] Michigan Department of Natural Resources web site, "The Department of Natural Resources…" accessible on the Internet at http://www.michigan.gov/dnr/0,1607,7-153-10366-30397--,00.html.
[3] Act No. 525, p. 4.
[4] Act No. 525, p. 5.
[5] Portions of this program recommendation were adapted from the Fall 2002 Michigan Privatization Report article, "Privatize MacMullan Conference Center," accessible on the Internet at http://www.mackinac.org/4740.
[6] Act No. 525, p.5.
[7] Michigan Department of Natural Resources, "Michigan State Waterways Commission and Boating Programs," February 2002. p. 1, 3.
[8] Kirk Lindquist and Julie Stapelman, "Line Item and Boilerplate Summary: Natural Resources," House Fiscal Agency, January 2002. p. 12.
[9] Michigan Department of Natural Resources, "Parks and Recreation 2003 Program Descriptions," accessible on the Internet at http://www.michigan.gov/dnr/0,1607,7-153-10366-30487--,00.html.
[10] Kirk Lindquist and Julie Stapelman, January 2002. p. 11.
[11] Adapted from an article by Diane Katz, Mackinac Center for Public Policy director of science, environment, and technology "Depression-era Program Should Be Privatized," Michigan Privatization Report, p. 4. Accessible on the Internet at http://www.mackinac.org/article.asp?ID=4142.
[12] Act No. 525, p. 5.
[13] Lindquist and Stapelman, p. 17.
[14] Ibid.
[15] Act No. 525 p. 6.
[16] National Arbor Day Foundation website, "Programs," accessible on the Internet at http://www.arborday.org.
[17] Telephone interview of Jill Zimmerman, Financial Analyst, Michigan Department of Natural Resources, by Mackinac Center for Public Policy director of fiscal policy Michael LaFaive, Nov. 14, 2002.
[18] Michigan Department of Natural Resources, "2002-2003 Hunter Access Program Leased Lands," accessible on the Internet at http://www.michigan.gov/documents/0203HAP_41734_7.pdf.

Department of State

Appropriations Summary	Actual[1]	Recommended	Savings
Interdepartmental Grants/Transfers	$96,493,000	$90,355,000	$6,138,000
Federal Funds	$ 1,319,500	$ 1,319,500	$ 0
General Fund/General Purpose	$16,969,000	$16,969,000	$ 0
Special Revenue Funds	$65,274,300	$65,274,300	$ 0
Gross Appropriation	**$180,055,800**	**$173,917,800**	**$6,138,000**

The Michigan Department of State is the oldest department in the state government. The department has responsibilities in three areas: motor vehicle titling and registration, regulation of automobile dealers, and voter registration and election administration and oversight.

I. Customer Delivery Services

Program: Commemorative license plates

Appropriation: All from Interdepartmental Grants: $2,147,300
Total: $2,147,300[2]

Program: Specialty license plates

Appropriation: All from Interdepartmental Grants: $3,915,000
Total: $3,915,000[3]

Program: Olympic center plate

Appropriation: All from Interdepartmental Grants: $75,700
Total: $75,700[4]

Program Description:
This appropriation funds commemorative, specialty, and Olympic Center license plates. Like many states, Michigan offers "vanity plates," a licensee-requested combination of numbers and letters for an extra fee. Specialty plate sales are designed to benefit certain causes or institutions such as universities, or to preserve Michigan lighthouses.

Recommended Action:
The state should eliminate this program. The state should merely authorize a particular vanity license number and/or specialty plate, and allow the vehicle owner to purchase the plate from the lowest-cost private provider, ending the state's involvement in the actual provision of plates. **Savings: $6,138,000.**

Program: Notary Fees

The Secretary of State should adjust user fees to reflect real costs and inflation. User fees are assessed for a host of services throughout state government and many of them are woefully below the real cost of service delivery. The fee charged by the Secretary of State's office for notary public applications is still a mere $3.00, where it was set 61 years ago in 1942. If the state adjusted its price to account for inflation since 1942 it could charge $33.11 for each notarization. Making this change could likely raise an additional few hundred thousand dollars in new revenue.

[1] Act No. 528, Public Acts of 2002, p. 9.
[2] Act No. 528, p. 10.
[3] Ibid.
[4] Ibid.

Department of State Police

Appropriations Summary	**Actual[1]**	**Recommended**	**Savings**
Interdepartmental Grants	$ 19,282,800	$ 19,282,800	0
Federal Funds	$ 45,570,500	$ 41,475,867	$ 4,094,633
General Fund/General Purpose	$287,048,300	$226,112,200	$60,936,100
Special Revenue Funds	$ 63,776,600	$ 58,386,865	$ 5,389,735
Gross Appropriation	**$415,678,200**	**$345,257,732**	**$70,420,468**

The Michigan Department of State Police (MDSP) was created in 1935. Its purpose is to provide 24-hour statewide quality police service for the safety and the protection of people and property in the state of Michigan. Its primary responsibilities are to "reduce the opportunities for crime, to reduce traffic accidents through diligent and fair enforcement of the laws of this state, and to act as a first responder to any citizens needs that can be addressed through the resources of the criminal justice system." Citizens highly value these services, but like all large government agencies, the MDSP operates a number of programs that are unnecessary. Major savings could be realized by devolving certain functions to lower levels of government. These recommendations are offered below.

I. Highway Safety Planning

Program: "Occupant protection" programs (Section 105)

Appropriation:	Federal Revenue:	$1,841,972[2]
	Total:	$1,841,972

Program Description:
This appropriation funds "Occupant Protection" programs. The goal of this program is to increase seat belt use to 90 percent of all vehicle occupants. It includes a variety of components, among them billboards, public relations campaigns, and grants to local police agencies that participate in periodic seat-belt-use enforcement crackdowns. (Michigan's 1999 "primary enforcement" law authorizes police to stop and ticket drivers if front seat occupants are not wearing seat belts. The law expires at the end of 2005 unless studies can show that 80 percent of motorists are in compliance.) Note: This program does not officially appear in the state budget but remains part of the Highway Safety Planning division of State Police.

Recommended Action:
This program should be eliminated because it diverts limited police resources to a non-core function. More than ever, recent events have highlighted the need for police to focus on their core mission of fighting crime. If they deem it a priority, this unrelated task can be handled by the many private associations and businesses who lobbied for the primary enforcement law. **Savings: $1,841,972.**

Program: "Mature Driver," "Fatigued, Aggressive and Distracted Driver," and "Workplace Safety" Programs (Section 105)

Appropriation:	Federal Revenue:	$1,662,817
	Total:	$1,662,817[3]

Program Description:
This appropriation funds activities to educate college students about driver fatigue, "educate the general public on the need for lifelong mobility planning,"[4] provide workplace traffic-safety programs, and similar activities. Note: This program does not officially appear in the state budget but remains part of the Highway Safety Planning area of State Police.

Recommended Action:
This program should be eliminated because it diverts limited police resources to non-core functions. They can be handled by private businesses and nonprofit organizations who wish to devote resources to them. **Savings: $1,662,817.**

Program: Nuclear Power Plant Emergency Planning, Section 110

Appropriation:	Special Revenue Funds:	$1,209,200
	Total:	$1,209,200[5]

Program Description:
This appropriation funds grants for emergency planning services, training and preparedness to privately owned nuclear power plants.

Recommended Action:
This program should be eliminated. Other industries, such as chemical producers, provide their own emergency planning and response programs, and the nuclear power industry should do likewise. Nuclear emergency planning is more properly the responsibility of the providers and the communities in which they are located, not of the state. **Savings: $1,209,200.**

II. Uniform Services

Program: Uniform Services (Section 111)

Appropriation:	Federal Revenue:	$ 1,500,000
	Special Revenue Funds:	$ 10,631,300
	GF/GP:	$154,963,400
	Total:	$167,094,700[6]

Program Description:
This appropriation funds uniformed police services — such as road patrols. The Michigan State Police (MSP) provide many law enforcement services that local and county agencies cannot. Patrolling highways and writing traffic tickets is not one of these services, however. It would cost far less to the state to devolve road patrol duties to county sheriffs, and let the MSP focus on services that require greater specialization and economies of scale. Among the latter are forensic science and lab services, criminal databases, and special operations, etc.

Program Recommendation:
Devolve road patrol to the counties and fund the patrol work with grants from this line item. The total spent on this line item could drop by 28 percent, since state police receive more lucrative salaries and benefits than do sheriff's deputies. Indeed, the average state trooper receives $90,000 annually in wages and benefits whereas county sheriff's deputies average $65,000 to $70,000. Taxpayers could save $65 million on this line item and enjoy no net loss in road patrol personnel. These savings assume proportional reductions in department-wide administrative, support, and state police post expenses that would be possible given a large reduction in personnel. **Savings: $65,000,000.**

[1] Act No. 526, Public Acts of 2002, p. 1.
[2] Office of Highway Safety Planning, 2001 Annual Report, "Total Federal Dollars Reported, OP," p. 57.
[3] Ibid, p. 59-60. The "OP" in the title stands for "Occupant Protection."
(Codes and numbers confirmed in teleconference with Ms. Kathy Farnum, Office of Highway Safety Planning, 1/6/03.)
[4] Office of Highway Safety Planning, 2001 Annual Report, "Mature Drivers," p. 51.
[5] Act No. 526, p. 4.
[6] Assumes average statewide sheriff deputy compensation to be approximately $70,000 annually, including salary and benefits. The comparable figure for a Michigan State Police trooper is $90,000. A detailed memo explaining methodology is available on request.

Department of Transportation

Appropriations Summary	**Actual**[1]	**Recommended**	**Savings**
Interdepartmental Grants	$ 0	$ 0	$ 0
Federal Funds	$ 987,176,100	$ 937,376,100	$ 49,800,000
General Funds/General Purpose	$ 0	$ 0	$ 0
Special Revenue Funds	$2,138,005,400	$1,845,554,125	$292,451,275
Gross Appropriation	**$3,125,181,500**	**$2,782,930,225**	**$342,251,275**

The Michigan Department of Transportation (MDOT) was created in 1951 to: (1) oversee the construction, improvement, safety and maintenance of the state highway system, which includes the 9,700 miles of interstate, U.S. and M-numbered highways; (2) supervise the operation of aviation within the state and fund the construction and improvement of airport facilities; (3) promote and subsidize public transit programs in the state; and (4) promote and subsidize passenger and freight use on railroads within the state.

Michigan's transportation programs are largely funded through user fees levied on motorists and truckers by way of a fuel tax. Revenue for Michigan's Transportation Fund is derived from a tax of 19 cents levied on each gallon of gasoline and diesel fuel sold in the state and registration fees. Funds from the federal government (highway trust fund), which make up nearly a third of Michigan's transportation budget, are derived from a federal fuel tax of 18.4 cents levied on each gallon of gasoline sold.

I. Highway Maintenance

Program: Highway maintenance

Appropriation:	All from Special Revenue Funds:	$232,911,100
	Total:	$232,911,100[2]

Program Description:
This appropriation funds routine and heavy maintenance on the state's roads and highways, much of which is currently done by state, county and municipal employees.

Recommended Action:
The state could create an asset-management system (as required by Public Act 499 of 2002) with the objective of maintaining a well-defined quality of roadbeds and rights-of-way. Once technical standards are established, private contractors and the existing municipal workforces would have the right to bid on the work in competition with each other. Contracts would be granted to qualified winning bidders.

Virginia's Department of Transportation shifted the state's interstate highway maintenance on 250 miles of road to private contractors in 1997 using an asset-management, performance-based system. Maintenance quality has improved while costs have fallen. The program was so successful that four years later the District of Columbia turned over the maintenance of its highways to the same contractor, proceeded to complete pothole repair back-logs within a few months.

MDOT has valuable experience contracting for road maintenance. As an experiment in 1994, and despite political opposition, the agency contracted with a private firm (ABC Paving Company) for maintenance of 121 lane-miles of I-496 and US-27 near Lansing. MDOT extended the firm's first $2 million contract once before re-opening the contract for bids again in 1997. ABC won the bid again, this time for 43 months of maintenance for $3.2 million.

MDOT did not renew ABC's contract after the 43-month agreement expired. It was revealed at that time that MDOT had never calculated the state's cost to maintain the same roads maintained by ABC. Therefore, it was difficult if not impossible to judge the financial success of the privatization effort. Various attempts to estimate the state's cost were made after the fact. Some suggested ABC's costs were higher than the state's costs; others suggested ABC was competitive even with municipal road-maintenance workforces that benefit from large economies of scale. In the end, the state missed an opportunity to test this type of privatization because it did not understand its own costs well enough to compare them to those of competing bidders. MDOT could build on this experience now by fully assessing its own costs of road maintenance so they may be compared to those of private bidders.

Numerous studies of cost saving and performance from competitive contracting for public services and infrastructure — both around the United States and abroad, and within federal, state and local governments — suggest that cost savings average between 25 and 30 percent over previous government costs.[3] If Michigan were able to achieve just 25 percent savings, competitive contracting would yield annual savings of $58,227,775. **Savings: $58,227,775.**

II. Transportation Economic Development Fund

Program: Transportation economic development fund

Appropriation:	All from Special Revenue Funds:	$42,848,300
	Total:	$42,848,300[4]

Program Description:
This funds transportation projects that support economic growth, sometimes by targeting the project to a particular firm or industry to encourage it to relocate, expand, or remain in the state.

Recommended Action:
The sub-programs listed below are related to the Transportation Economic Development Fund and could be eliminated from the department's budget. The costs for such projects could be shifted to for-profit industries and companies that benefit directly from such expenditures. For more on state "economic development" expenditures, see the chapter on the Michigan Economic Development Corporation.

Forest Roads. This program funds roads and road safety on public lands that are subject to commercial forestry activities. The cost of such services should be borne by the commercial interests that benefit financially from harvesting the raw materials in state-owned forests. **Savings: $5,040,000.**

Target Industries — Economic Development. This program funds road projects that will allegedly create or retain jobs in seven specific industries — agriculture and food processing, tourism, mining, manufacturing, office centers, high technology and forestry. Costs of these projects should be borne by the commercial interests that benefit directly from these project-specific roads. **Savings: $19,404,300.**

Urban County Congestion. This program is designed to reduce traffic congestion in urban areas partly by funding public transit and traffic management projects. Public transit carries only a tiny share of commuters nationwide. Public transit use in Michigan falls below the national average (5 percent of commuters). Any additional money spent on public transit in Michigan will have negligible impact on congestion and will simply add to the existing costly, and mostly unused, infrastructure. **Savings: $7,952,000.**

III. Bureau of Aeronautics

Program: Bureau of Aeronautics (Section 114)

Appropriation:	All from Special Revenue Funds:	$5,830,600
	Total:	$5,830,600[5]

Program Description:
This funds overall administration of state aviation programs, promotes passenger and freight traffic, and provides for an "Air Service Grant Program," which provides funds to small aviation facilities.

Recommended Action:
Terminate all spending for the Air Service Grant Program that provides financial assistance to the state's 19 commercial airports. Airports that serve commercial aviation should be financially self-sufficient, and the relatively small size of this grant suggests that it is not a key revenue source for these 19 airports. **Savings: $300,000.**

IV. Bus Transit Division

Program: Bus transit division (Section 116)

Appropriation:	Federal Funds:	$ 10,100,000
	Special Revenue Funds:	$160,200,000
	Total:	$170,300,000[6]

Program Description:
This appropriation funds subsidies of up to 50 percent of the operating expenses incurred by local public transit systems in urban areas, and up to 60 percent of expenses in communities with populations below 200,000. Funds can be used for both operating and capital expenses in non-urban areas.

Recommended Action:
This program should be eliminated. Public transit programs are the most expensive way to move people from one point to another. They require substantial operating and capital subsidies to remain financially viable in serving their tiny share of the market. According to the 2000 decennial census, only 4.57 percent of commuters use public transit to get to work, down from 5.12 percent in 1990. Despite subsidies totaling a half a trillion dollars since 1960, public transit use in America has declined year after year for at least the last four decades. As low as the national share for public transit is, Michigan's is even lower. In the Detroit metropolitan area, only 1.82 percent of commuters used public transit, while only 0.82 percent of commuters used public transit in the Grand Rapids metropolitan area. These compare to 7.43 percent for all metropolitan areas.[7]

Compounding the problem of low use is high cost. As public monopolies protected from private-sector competition, public transit systems have little incentive to economize, and the consequence is high operating costs. Public transit absorbs 20 percent of all federal transportation spending while carrying less than 5 percent of commuters to work.

State public transit subsidies could be terminated and cities required to operate their own systems on a break-even basis by reducing costs and increasing revenues. Costs could be reduced by renegotiating labor contracts, dropping underused routes, contracting existing services to more efficient providers, and allowing qualified private operators to compete for passengers. At the same time, fares could be set to cover newly reduced operating costs. **Savings: $170,300,000.**

V. Intercity Passenger and Freight

Program: Intercity Passenger and Freight (Section 117)

Appropriation:	Federal Funds:	$ 4,600,000
	Special Revenue Funds:	$24,027,700
	Total:	$28,627,700[8]

Program Description:
This appropriation funds a variety of programs intended to foster intercity bus and interstate rail passenger service, a state-owned rail line, and subsidies of private rail lines.

Recommended Action:
All line items under section 117 of the state MDOT budget could be eliminated. There are no programs in these sections of the budget that cannot be performed by the private sector or funded by the private firms and users who benefit from them.

Rail Freight programs. The three programs that subsidize rail freight services in Michigan — freight property management, freight preservation and management and the rail infrastructure loan program — could be terminated. Rail freight service is operated on a profitable basis throughout the country, and in those areas where such service is uneconomical because of limited traffic, alternative service can be readily provided by trucks. Programs could be terminated and Michigan's 700-mile state rail system could be sold by competitive bid. **Savings: $7,192,900.**

Detroit/Wayne County Port Authority. Established in 1978, the D/WCPA is a nonprofit, government-supported operation that promotes and plans shipping transportation involving Detroit and the surrounding area. The Authority does not own, nor does it operate, commercial terminals, but it has wanted to create new revenue streams for years and has recently revived an idea to create a passenger terminal to encourage passenger ships to visit Detroit.

Private commercial marine operators have questioned the need for the Authority's very existence.[9] This government entity performs services that already are provided by the private sector. The Authority can safely be eliminated. **Savings: $500,000**.

Rail Passenger Service. This program subsidizes service on two routes — Port Huron to Chicago and Grand Rapids to Chicago — operated under contract by Amtrak. Nationwide, Amtrak serves only 0.6 percent of the inter-city passenger market, and because service on its Northeast corridor accounts for nearly 60 percent of its passengers, it is likely that its share of the market in Michigan is substantially smaller, probably no more than 0.2 to 0.3 percent.[10] If Amtrak service in the state is terminated, that tiny fraction of travelers can shift to cars and/or to unsubsidized inter-city buses that serve the same routes at less cost. Because Amtrak is in serious financial difficulties, its new president claims that in the future states will have to pay more for what passenger rail service they now have, indicating that Michigan's share will likely go much higher than current levels, which have already more than doubled since 2000.[11] **Savings: $11,300,000.**

Intercity Bus Equipment and Service Development. These two programs subsidize private bus carriers who provide intercity service to communities that might not otherwise have it, have it with lower frequency, or have it at higher costs. Because intercity bus service accounts for only about 1.4 percent of the nationwide intercity passenger market, the number of passengers adversely affected by its termination would be small.[12] Expenditures on bus equipment have already doubled from the annual levels of spending in fiscal years 2000 and 2001. **Savings: $5,850,000.**

Detroit/Wayne County Airport. This program subsidizes operations at the Detroit/Wayne County airport. Passengers and airlines that use and benefit from the airport should pay the full cost of the airport's operations, not the general taxpayer. Moreover, the airport could be privatized, as has been occurring in Europe and Australia to the considerable benefit of the users and the public at large. An earlier analysis of the airport's value suggests that it might have a gross value (before debt and other liabilities) of as much as $2.5 billion.[13] If sold, net proceeds could be used for tax relief or to provide other services. As a private, for profit entity, the airport would pay taxes instead of consuming taxes paid by others. **Savings $500,000.**

Marine Passenger Service. This program subsidizes ferry service on the St. Mary's River and to Beaver Island. Individuals who choose to live in relatively remote and inaccessible regions should bear the cost of that lifestyle choice. **Savings: $800,000.**

Terminal Development. This program subsidies the construction and improvement of a variety of passenger facilities throughout the state. As subsidized transportation services are terminated or privatized, the state's provision of this service is no longer required. **Savings: $2,884,800.**

VI. Public Transportation Development

Program: Public Transportation Development (section 118)

Appropriation:	Federal Funds:	$35,950,000
	Special Revenue Funds:	$27,544,700
	Total:	$63,494,700[14]

Program Description:
This appropriation funds and promotes a number of different types of public transportation programs including capital grants to local systems to buy new buses, car and van pooling, service to the disabled and elderly, and a transportation initiative to facilitate the welfare to work program.

Recommended Action:
The programs in this section could be eliminated in favor of private-sector alternatives.

Municipal Credit Program. This program subsidizes public transportation programs in southeast Michigan. The program could be terminated and the public transit users required to pay the cost of services they receive. **Savings: $2,000,000.**

Bus Capital. In addition to the $158.5 million in bus operating subsidies provided by MDOT, the department also provides the funds to help buy the buses whose operation the other program subsidizes. Users of the bus system should be expected to pay fares that cover the full costs of the service they receive — both operating and capital costs — and local systems should strive to keep costs down by renegotiating labor contracts and improving management. If the users are unwilling to pay the full costs, it would constitute a strong signal to officials that the service is not sufficiently important to sustain.

Because public transit use in Michigan is well below national averages and accounts for only a tiny fraction of riders, the loss or shrinkage of this service will have a negligible impact on mobility opportunities and congestion. One alternative for cities is to encourage rather than prohibit the use of private jitney cabs among its citizens. [15] Jitneys are a low-cost, flat-fee alternative to public transit. **Savings: $48,849,500.**

Service Development and New Technology. This program funds public transit research, training and demonstration programs. With Michigan's public transit programs being terminated, devolved and privatized, continued state involvement in ancillary transit services would be unneeded. The program should be terminated. Savings: Savings **$1,550,000.**

Further Reforms and Cost Savings

Opportunities to reform Michigan's transportation programs are constrained by many federal factors. They include costly and counterproductive regulations and fund diversions effectively imposed on Michigan by the Federal Highway Administration, Federal Aviation Administration, Federal Railroad Administration and the Federal Transit Administration. All of the money routed to states by these agencies has numerous strings attached that cause states to spend funds in ways that are of no value, or limited value, to the average motorist or passenger.

In addition, Michigan fares relatively poorly in federal transportation programs compared to other states. The federal highway program, for example, is funded by a federal fuel tax of 18.4 cents per gallon that each motorist pays on the gasoline purchased. Although, over the long run, states could receive as much from the fund as they pay in, Michigan's motorists pay much more into the highway trust fund than the state receives back from it.

Since the fund was created in 1956, Michigan has received back only 81 percent of what it paid in compared to, say, West Virginia, which received 169 percent of what it paid in.[16] Although efforts have been made in recent years to reduce such regional inequities, in 2000 Michigan received only a 87 percent share of what it paid in, and that missing 10 percent amounted to a deficiency of $107 million in 2001 alone. Obviously, if Michigan received even the average state's share, it could reduce or defray its transportation spending by hundreds of millions dollars over a short time.

However deficient the return of federal dollars, the federal government mandates that a portion of the money paid back to the states be spent on programs that have little impact on citizens' mobility. For example, nationwide 20 percent of the highway trust fund must be spent on public transit, even though less than 5 percent of travelers use it. Worse, this 20 percent tends to be directed to those few states where public transit ridership is greatest — specifically to the seven metropolitan areas that account for 75 percent of all U.S. public transit passengers. Because Michigan's public transit use is below average, so is its federal transit funding, meaning that Michigan motorists are also subsidizing transit riders in New York, Chicago and Washington, D.C.

Federal requirements on state matching funds divert even locally raised transportation funding to ineffective uses. In addition to public transit spending, states are required to spend some of the money on congestion mitigation and air-quality programs, which generally leads to more spending on public transit. States also have to build bicycle and hiking paths, and some of the money must be devoted to historic preservation. Another program diverts money to covered bridges.

Among the many regulations attached to federal highway dollars is the requirement that all projects funded with federal money be subject to the Davis-Bacon wage provisions, which generally require that workers building highways receive wages above market rates. Federal money spent on public transit generally allows the public transit system to act as a monopoly, which keeps out competition that could otherwise lower costs. Section 13(c) of the Urban Mass Transit Act requires local systems to act with a pro-union bias and mandate a union-approved contract with employees. Consequently, public transit employees have high wages and relatively low productivity compared to workers in similar positions elsewhere. There are also significant federal obstacles and prohibitions erected against toll roads and highway and airport privatization efforts.

As a consequence of these regulations and the diversion of the federal money returned to Michigan, the state is forced to spend more of its own money on costly programs that do little to ease traffic congestion or improve mobility.

In 2003 the federal highway and transit programs must be reauthorized, and this offers an opportunity to reform the legislation in ways that ease the burdens and distortions the program creates in the states. One promising proposal that will be under consideration is called "turn back," because the proposal would turn back to the states the transportation responsibilities and discretionary powers, as well as the federal fuel tax revenues, that they had prior to 1956 when the federal program was created. In 2002, Sen. James Inhofe R-Okla. introduced legislation in the 107th Congress (S.2861, Transportation Empowerment Act) that would do just this. Elected officials in "donor" states like Michigan should support such legislation and seek its enactment.

[1] Act No. 561 Public Acts of 2002, p. 1.
[2] Act No. 561, p. 1.
[3] Ronald D. Utt, "Improving Government Performance Through Competitive Contracting", Heritage Backgrounder No. 1452, June 25, 2001.
[4] Act No. 561, p. 5.
[5] Ibid.
[6] Ibid.

[7] Wendell Cox and Ronald D. Utt, "Census Shows Commuters Are Rejecting Transit", Heritage Executive Memorandum No. 832, September 9, 2002.
[8] Act No. 561, p. 6.
[9] In a November, 1996 Detroit News article Rod Scott, vice president of Nicholson Terminal & Dock responded to such a notion by saying, "What are they trying to accomplish? There is no shortage of facilities, there is no service that is not being performed." In an April, 1998 interview with Michigan Privatization Report, Mr. Scott added, "As for marketing, Nicholson Terminal & Dock, like other terminal owners, does its own marketing. I personally spend 150 days a year in Europe and Asia marketing our services and establishing relationships. The Authority simply does not have the skill to properly market our services."
[10] Roslyn Wilson, "Transportation in America: A Statistical Analysis of Transportation in the United States," 2000, Eno Transportation Foundation, 2001, p. 15.
[11] Michigan Department of Transportation, Response to FOIA Request #12367, Oct. 25, 2002.
[12] Eno, p. 15.
[13]Ronald D. Utt, "FAA Reauthorization: Time to Chart a Course for Privatizing Airports," Heritage Backgrounder No. 1289, June 4, 1999.
[14] Act No. 561, p. 6.
[15] Lawrence W. Reed, Mackinac Center for Public Policy web site, "Anti-Jitney Law Takes People for a Ride," accessible on the Internet at http://www.mackinac.org/article.asp?ID=2536.
[16] Federal Highway Administration, Highway Statistics*,* 2000, Washington, D.C., 2002, Table FE-221.

Department of Treasury

Appropriations Summary	Actual[1]	Recommended	Savings
Interdepartmental Grants/Transfers	$ 19,445,300	$ 19,445,300	$ 0
Federal Funds	$ 44,296,100	$ 33,597,300	$ 10,698,800
General Fund/General Purpose	$ 121,080,800	$ 121,080,800	$ 0
Special Revenue Funds	$1,776,744,700	$1,352,451,200	$424,293,500
Gross Appropriation	**$1,961,566,900**	**$1,526,574,600**	**$434,992,300**

The mission of the Michigan Department of Treasury is to "provide quality financial, tax, and administrative services."[2]

These functions are necessary for the operation of state government departments and programs. What are not necessary, however, are some of the programs that the Department of Treasury administers.

I. Financial Programs

Program: Michigan merit award board/MEAP administration

Appropriation:	Federal Funds:	$10,698,800
	Special Revenue Funds:	$18,128,500
	Total:	$28,827,300[3]

Program Description:
This appropriation funds the Michigan merit award board/Michigan Education Assessment Program (MEAP) administration costs. The MEAP achievement tests high school students and provides those who meet certain standards college scholarship money.

Recommended Action:
There is little reason for the MEAP test and the accompanying scholarship program to be administered by the Department of Treasury. The program could be returned to the Department of Education and its budget increased likewise. **Transfer: $28,827,300.**

Program: Michigan education savings program

Appropriation:	All From Special Revenue Funds:	$1,000,000
	Total:	$1,000,000[4]

Program Description:
This appropriation funds the Michigan Education Savings program. This program allows Michigan taxpayers to contribute to an account to be used for educational expenses. Earnings in this account accumulate free of both federal and state income taxes if they are used to pay qualified higher education expenses. Otherwise, they are tax deferred. The state will provide a matching grant of $1.00 for each $3.00 in contributions made to an MESP Account (up to a maximum state match of $200 per beneficiary and available only in the first year the beneficiary is enrolled in MESP), provided that the following criteria are met when the account is opened: 1) the beneficiary must be 6 years old or younger; 2) the beneficiary must be a resident of Michigan; and 3) the beneficiary must reside in a household with a family income of $80,000 or less. The state has selected a private manager of the fund. The $1 million appropriation pays for the state's matching grants.

Recommended Action:
Eliminate the $1 million match. Those who derive the greatest benefits from higher education should bear the largest burden of paying for it. Those who need assistance can turn to private foundations and other mechanisms for their tuition. **Savings: $1,000,000.**

II. Grants

Program: Health and safety fund grants

Appropriation:	All From Special Revenue Funds:	$23,500,000
	Total:	$23,500,000[5]

Program Description:
This appropriation funds the health and safety fund grants. The health and safety fund is administered under Public Act 264 of 1987, and is funded by a 4 percent of total tobacco tax revenues. The fund is used partly as a mechanism for giving money to hospitals that participate in the Medicaid program, but $16 million is given to Wayne County to pay its outstanding debt obligations. The state, under this program, is effectively taxing all cigarette smokers, with secondary effects on retail businesses such as party stores, in order to fund Wayne County's debt.

Recommended Action:
This program should be downsized. While a portion of this fund is used for hospitals that participate in the Medicaid program, reducing taxes and encouraging individuals to contribute to organizations that assist the indigent would better serve society. Since these charitable organizations compete with one another for donations, it is in their interest to ensure that they get the most services for their donated money. There is little justification for taxing people in 82 counties to pay Wayne County's debt. **Savings: $16,000,000.**

Program: Convention facility development distribution

Appropriation:	All From Special Revenue Funds:	$48,000,000
	Total:	$48,000,000[6]

Program Description:
This appropriation funds convention facility development distribution. In 1986 the state of Michigan established the convention facility development fund to assist in financing the expansion of Cobo Hall. Part of the revenue to fund the bonds was to come from a hotel tax levied in Wayne, Oakland, and Macomb counties. This was not sufficient at the time to pay principal and interest and coverage for the bonds. This revenue was supplemented with a statewide liquor tax. The facility fund was sold to legislators on the grounds that the expansion of Cobo Hall would lead to an increase in the number of hotels in Detroit and eventually the hotel tax revenues would be sufficient to pay for the bonds.

Recommended Action:
The state should repeal this tax. With the introduction of casinos in Detroit, there are now sufficient revenues from the hotel tax to pay for bonds. This allows for the repeal of the 4 percent liquor tax, which is now being collected and then returned to the counties, saving taxpayers approximately $29 million annually. Repealing the tax would not save the state money per se, but would reduce the gross appropriation for Treasury by nearly $30 million. **Appropriation Reduction: $29,000,000.**

Program: Commercial mobile radio service payments

Appropriation:	All From Special Revenue Funds:	$24,000,000
	Total:	$24,000,000[7]

Program Description:
This appropriation funds commercial mobile radio service payments for E-911 services. In 1999 the Legislature passed a series of Acts that create a wireless E-911 service. The service allows government authorities to track emergency calls from cellular phones. If people in need of assistance call the mobile radio service, but do not know where they are, the service can locate them based on their signal.

Recommended Action:
Eliminate as a state function. The desires of citizens from different counties for 911 services will surely be different. There is little reason for cell phone users in Taylor to pay taxes to fund a wireless E-911 service in Traverse City or vice versa. Emergency services are a local function. **Savings: $24,000,000.**

III. Revenue Sharing

Program: Constitutional state general revenue sharing grants

Appropriation:	All From Special Revenue Funds:	$679,430,000
	Total:	$679,430,000[8]

Program: Statutory state general revenue sharing grants

Appropriation:	All From Special Revenue Funds:	$844,170,000
	Total:	$844,170,000[9]

Program: Grants to local governmental units

Appropriation:	All From Special Revenue Funds:	$9,900,000
	Total:	$9,900,000[10]

Program Description:
These appropriations fund revenue sharing programs. The state of Michigan collects more than $1.5 billion that is then turned over to local governments. Of this amount, a little more than $679 million is constitutionally mandated, while the remainder is distributed by legislative direction. Some of these funds are distributed through the Revenue Sharing Act of 1971, while others are distributed through individual tax statutes.

Recommended Action:
Revenue sharing should eventually be eliminated. The vast majority of revenue sharing simply allows some communities to provide their citizens with services below the actual cost of providing them, encouraging the overuse of these services. It also reduces competition between communities, which would encourage efficiency in local governments. Revenue sharing taxes some citizens simply to give money to the governments of communities in which they do not reside. This is what Frederic Bastiat, a 20th-century French legislator and essayist, would have called "legalized plunder."[11]

The state should reduce its revenue sharing by 50 percent of what is not mandated by the Michigan Constitution. This would reduce the injustice of taking from some Michigan citizens to give to others, and would improve the efficiency of local governments. A 50 percent reduction in statutory revenue sharing would yield savings exceeding $340 million. This money should be redirected to the General Fund. **Savings: $344,665,000.**

[1] Act No. 528 of 2002, Public Acts of 2002, p. 11-12.
[2] Department of Treasury Mission Statement is available on the Internet at http://www.michigan.gov/treasury/0,1607,7-121-1755_2294---,00.html.
[3] Act No. 528, p. 13.
[4] Ibid.
[5] Ibid.
[6] Act No. 528, p. 14.
[7] Ibid.
[8] Ibid.
[9] Ibid.
[10] Ibid.
[11] Frederic Bastiat, "The Law," 1850, Irvington-on-Hudson Foundation, 1998.

Appendix I: Refusing Federal Funds

Many proposals listed in this paper recommend eliminating or reducing programs that are either partially or entirely federally funded. Undoubtedly the wisdom of such proposals will be questioned. Skeptics will say, "Why turn down our share of federal funds? This is essentially free money. We should take it while we have a chance." And at first glance this appears to be a rational reaction. Yet, when one examines the issue more carefully, one sees that refusing federal funds is not only rational, it is imperative if we expect to get Michigan's budget under control.

Federal Funds as a Share of the Total Michigan Budget

Over the past 30 years — since the beginning of Lyndon Johnson's "Great Society" — federal funding as a percentage of Michigan's total budget has increased dramatically — as demonstrated in Table 1. Indeed, for fiscal year 2003 federal funds will account for over 29 percent of the total budget. The state of Michigan cannot neglect such a large portion of its budget and expect to reverse the trend toward ever-larger and ever-more intrusive government. Those who believe that state government can, and should, be significantly downsized must realize that the only way to do this is to cut programs that are both funded from the general fund *and* from federal revenues.

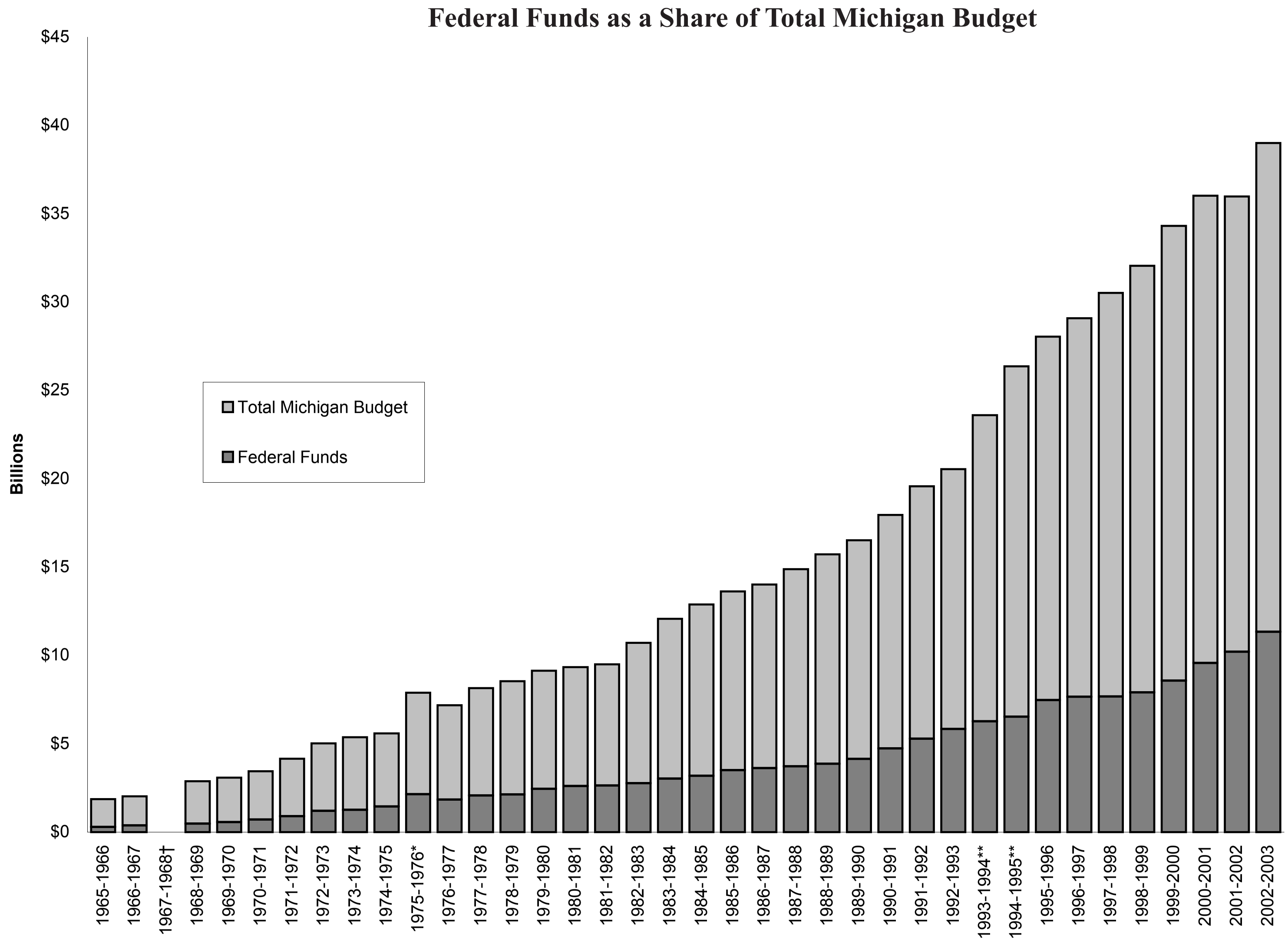
Michigan needs to set an example for all the states. It needs to begin the long process of reclaiming power from Washington. And the only way to do this is to realize that federally funded programs must be held to the same scrutiny that non-federally funded programs are. If they are not, real reform cannot take place in Michigan, or in any other state.

Where Do Federal Funds Come From?

One of the most destructive myths regarding federally funded state programs is that these programs are "free" to the citizens of Michigan; that they are essentially gifts. Michigan citizens also are U.S. citizens. They pay federal income taxes, federal capital-gains taxes, as well as numerous other federal taxes. It is these taxes that pay for Michigan's supposedly "free" federally funded programs.

The only way to lower the federal tax burdens of Michigan citizens and, in the process, help achieve sustained economic growth, is to eliminate or reduce the size of the programs these taxes pay for. That means that all federal programs operating in Michigan must be considered "on the table" for downsizing or elimination.

This chart shows the state of Michigan's total budget and the amount of the budget composed of federal funds per fiscal year.



Sources: Budget figures prior to fiscal year 1995 come from "Michigan Comprehensive Annual Financial Report" compiled by the Senate Fiscal Agency.
Budget figures from Fiscal year 1995 through fiscal year 2002, come from Office of the State Budget, "Fiscal Year 2001-2002 Comprehensive Annual Financial Report." Budget figures for fiscal year 2003 come from "FY 2002-03 Appropriations Report Initial Appropriations," Oct. 2002, p. 6. * FY 1975-1976 was a 15-month fiscal year, beginning July 1, 1975 and ending September 30, 1976. ** The numbers for fiscal years 1994-1995 and 1995-1996 reflect appropriations, not actual revenues. †Data not available.

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<u>About the Project Manager</u>

Michael LaFaive is director of fiscal policy for the Mackinac Center for Public Policy.

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140 West Main Street • P.O. Box 568 • Midland, Michigan 48640
(989) 631-0900 • Fax (989) 631-0964
www.mackinac.org • mcpp@mackinac.org

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