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# IMPACT

The Newsletter of the  
Mackinac Center for Public Policy  
[www.mackinac.org](http://www.mackinac.org) FALL 2011

## Mackinac Center Legal Foundation Scores Two Victories Over Union Coercion

On the heels of a watershed victory against the illegal unionization of Michigan's home day care workers (see Impact, Summer 2011), The Mackinac Center Legal Foundation has scored two more victories against the misappropriation of government resources for private purposes. The result is more than just fidelity to the letter of the law: It is a check on the unfair advantages that monopoly labor unions have gained over Michigan's residents — and a better chance for Michiganders to pursue their destinies as free people.

Just imagine you're Melinda Day, a bright and ambitious young graduate student at the University of Michigan. Day is pursuing a doctorate from U-M's Molecular, Cellular and Developmental Biology Department, serving as a research assistant at U-M's Life Science Institute. For Day, the assistantship



Mackinac Center Legal Foundation Director Patrick Wright, U-M Graduate Student Melinda Day and Vice President for Communications Michael Jahr discuss the case with the Detroit News Editorial Board.

means hard work in a daily race with other American research universities, any one of which might publish results that preempt her team's. Her work is also essential to her dream of receiving her doctorate and entering a field of cutting-edge science.

Last April, that dream was threatened — not by a research obstacle; not by a competing lab; but rather by a labor union. The Graduate Employees Organization, an affiliate of the American Federation of Teachers,

see "Union Coercion" Page 6

## Mapping Education Achievement: Locale and CAP studies

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Education has long been one of the Mackinac Center's biggest focuses and biggest successes. Two recently completed projects are significant contributions to the Center's goals of increasing transparency and fiscal responsibility for the state's largest expenditure — public schooling.

The first is an online database of student achievement data from Michigan's 678 public high schools. The Center's "Michigan Public High School Context and Performance Database" goes far beyond any other such database, gathering data from

more than 20 different state and federal sources. It includes high schools' locale, enrollment, graduation rates, ACT® test scores, Michigan Merit Exam test scores, and the percentage

of students who qualify for the federal government's National School Lunch Program. It also

enables users to quickly compare high schools within a particular county, school district or locale group, or see how they stack up compared to the entire state.

The information contained in the CAP database was exactly what many parents and

see "Education Achievement" Page 4



## PRESIDENT'S MESSAGE

# The Real Purpose of Recall Elections



Joseph G. Lehman  
President

At least two campaigns to recall elected officials in Lansing are under way. Several high-profile recall elections recently concluded in Wisconsin. Average citizens don't usually pay much attention to recalls, but lawmakers watch them like hawks. Citizens should jealously guard any power they have that so captures their representatives' attention.

Gov. Rick Snyder's positive fiscal and education reforms sparked two recall efforts in Michigan. One of them targets the governor himself and the other seeks to remove from office the chairman of the House Education Committee, Paul Scott of Grand Blanc.

It appears likely that anti-Scott forces gathered enough signatures to force the Republican into a November recall election. If so, voters who last elected him by a 19-point margin will decide whether to remove him from office. If recalled, his seat will remain vacant until voters choose his successor in the next regular election.

Anti-Snyder forces recently failed to collect enough signatures to force his November recall election. They say they will keep trying, but appear to be too poorly funded to achieve the very difficult task of recalling a governor.

Democrats and unions, infuriated by Wisconsin Gov. Scott Walker's bold fiscal and collective bargaining reforms, launched recalls against six Republican state senators in a bid to wrest control of the upper chamber from the GOP. They fell short, recalling only the two Republicans who probably would have lost their next elections anyway. Republican allies also failed in their attempts to recall two Democrat senators who infamously fled the state as a parliamentary stall tactic.

Most of these recall attempts were motivated by politics, not scandal. Some have called that a misuse of recalls. The Grand Rapids Press editorial board wrote that recalls "... should be undertaken for grave reasons only — reasons such as corruption, negligence or dereliction of duty."

But that is a fundamental misunderstanding of a recall's purpose. Michigan's Legislature has constitutional authority to impeach and remove lawmakers guilty of "corrupt conduct in office or for crimes or misdemeanors." The people have constitutional authority to recall lawmakers for "reasons or grounds" that are expressly "political."

Recall elections aren't intended to allow removal of officials for certain reasons only. Recall elections are intended to allow the people themselves, not just the Legislature, to directly remove officials between elections.

Recall laws prevent chaos by requiring a high number of signatures to trigger an election and a strict process to approve ballot language. A few people who don't like a lawmaker cannot force a recall, which is why recall elections are rare and successful recalls are rarer still. The last Michigan lawmakers recalled were two Democrat state senators in 1983.

Republicans now control all branches of state government. While some of them are targeted for recall, they should resist any temptation to make it harder for the people to recall lawmakers. At the same time, Michigan residents should be ever vigilant to guard this important check on government's power over the people. I

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**MACKINAC CENTER LEGAL FOUNDATION**

140 West Main Street, P.O. Box 568, Midland, Michigan 48640  
989-631-0900, Fax 989-631-0964  
[www.mackinac.org](http://www.mackinac.org) [mcpp@mackinac.org](mailto:mcpp@mackinac.org)

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MICHAEL D. JAHR Editor DANIEL E. MONTGOMERY Graphic Designer

## MEGA Death

While the Mackinac Center employs an eclectic group of people with varying tastes, none of them admit to listening to the 1980's thrash metal band Mega Death. The title above instead refers to the Michigan Economic Growth Authority, the state's primary "jobs" program. Born in April 1995, MEGA this year was eliminated by the Snyder administration.

This is a tremendous policy victory. Over the years, Center research repeatedly found that MEGA was as unfair as it was ineffective. Center analysts produced three major studies — and numerous essays, commentaries and investigations — of MEGA, all of which were instrumental in creating an environment where the once-popular program could be dumped with little opposition.

The first study was an analysis of the MEGA program as proposed by policymakers. The subsequent studies, published in 2005 and 2009, contained statistical analyses of the program.

The 2005 study found that for every \$123,000 in tax credits offered by the program, only one construction job was created — and 100 percent of those disappeared within two years. The second study found a negative association

between MEGA tax credits earned and manufacturing employment.

Earlier this year, the findings from the 2005 study, authored by Mackinac Center Director of Fiscal Policy Michael LaFaive and adjunct scholar Michael Hicks, were published in the peer-reviewed journal "Economic Development Quarterly."

LaFaive's expertise on MEGA and related programs became a valuable resource for reporters and legislators. He conducted multiple interviews on the subject, testified before several legislative committees and addressed MEGA's failings in numerous speeches around the state. The Center's relentless exposure of the failings of this program prevented Lansing politicians from ignoring the wasteful nature of their central planning.

Of additional importance, the Snyder administration stopped reporting alleged "spin-off" jobs relating from state economic development work — another recommendation made by Center analysts. **I**



Michael LaFaive and MEDC CEO Michael Finney discuss state incentive programs on WJBK-TV2's FlashPoint.

## A Policy Change That Saved Billions

When a solid public policy idea is advanced by a principled and determined elected official, good things happen. When that official takes a political risk in doing so — with little chance of any offsetting political gain — he deserves recognition.

Such was the case in 1996 when Michigan Gov. John Engler pushed through a reform that made Michigan a leader in pension policy. The state closed its state employees' pension fund to new members and instead offered them a 401(k) retirement plan, something many private companies had done, but no state government had adopted.

Engler drew political fire for the policy change, but for the next 15 years no one performed a financial analysis to see whether the move had saved taxpayers money. That is, until June when the Mackinac Center published "Estimated Savings From Michigan's 1997 State Employees Pension Plan Reform," a policy brief that found the change had fundamentally altered Michigan's pension liabilities and saved taxpayers billions of dollars.

The brief's author, Richard Dreyfuss, found that closing the state pension plan saved the state \$2.3 billion to \$4.3 billion in unfunded liability — the amount the state has promised to pay in retirement benefits above what it has saved to pay for it. In addition, the state's new defined-contribution retirement plan saved money because its costs cannot exceed 7 percent of an employee's salary, while the pension benefits cost 8.1 percent in the most recent year.

The brief also found that closing the pension system altered the political incentives for funding the plan. Michigan politicians are no longer able to push payments for service off to the future or use pension funds to supplement preferred policies, like offering current employees or retirees pension boosts during good times.

Coverage of the report's findings was highlighted by Bloomberg News, The Lansing State Journal, Business Insider, WILS, and other outlets.

The findings should serve as a warning to state officials regarding the school pension fund, which is \$17.6 billion short in covering school employee pensions.

Several legislators made it clear that they were interested in pension reform when they set \$133 million of the school budget aside to lower the state's retirement obligations. On Sept. 7, Sen. Rick Jones (R-Grand Ledge) introduced legislation that would close the "defined benefits" school pension system to new public school employees, and instead offer a 401(k)-style retirement plan. In May, Rep. Bill Rogers (R-Brighton) introduced a bill to transition state employee post-retirement health care benefits to a defined-contribution Health Savings Account system.

Should policies like these become law, Center analysts may be tallying even greater savings in the future. **I**

**EDUCATION ACHIEVEMENT** from Page One

taxpayers were looking for as evidenced by the number of users who flocked to the Mackinac Center's website to check it out. About 1,200 unique visitors came to the site within the first 24 hours of existence, and there were more than 11,000 queries made on the database in that time period.

By averaging standardized test scores and providing additional "contextual" information, the Center's database provides taxpayers with a better understanding of how their public high schools are actually performing compared to most anything else available. For example, the percentage of a school's population that qualify for a free or reduced-price lunch under the National School Lunch Program is a way of measuring the socioeconomic make-up of a high school's student population. This variable has been shown to have an impact on a school's standardized test scores, so the CAP database enables users to see more than just a single test score, and perhaps an opportunity to find some schools that are exceeding expectations.

Additionally, standardized test scores can vary year-to-year, since an entirely different group of students is being tested each year. Averaging these test scores over a four-year period provides a fuller picture of a high school's performance than just a single annual snapshot.

The media also found the database useful and it was reported on across the state. Newspapers like The Bay City Times, Petoskey News-Review and Holland Sentinel all used the database to check out how their local schools were achieving, and one superintendent commented that it was a "valuable tool." Flint's WJRT-TV12 and Saginaw's WEYI-TV25 also reported on the release of the CAP database in June.

Just as the CAP database helped shine a light on high school performance, the Center's study on school finances released in May helped illuminate the fiscal disparities between districts based on the type of area in which they operate. "Revenues and Spending of Michigan's Urban, Suburban, Town and Rural School Districts: 2004-2010," compiles seven years worth of revenue and spending data and analyzes these in per-pupil terms for Michigan's urban, suburban, town and rural districts.

Some of the results of the study were quite surprising. For instance, although city districts are often thought to struggle to raise enough revenue, city districts both received and spent more per pupil (about \$13,000 in 2010) than any other locale group on average. Also, remote rural districts spent more per pupil than either midsize or small suburban districts. Districts located in towns spent the least on average — about \$9,600 per pupil in 2010.



Michael Van Beek discusses the Context and Performance Database on Detroit's WXYZ-TV7.

The study uses the National Center for Education Statistics' methodology for identifying the different locales of school districts. It takes into account local, state and federal sources of revenue for schools, so all funds received by schools are accounted for. The study also breaks down spending into 10 categories, including instruction, administration, support services, transportation and food services. Using these categories reveals some of the different spending patterns among different locale groups.

Interestingly, even though town districts spent less per pupil, they tended to devote a larger portion of their spending to instruction (63 percent), more than both the averages from city and suburban districts. City districts spend a larger share on support services like counseling, social work and psychological services. In fact, they spent almost three times on these services than rural districts did per pupil on average in 2010.

This new study garnered attention from the media. Michael Van Beek, director of education policy at the Center and author of the study, discussed these findings on WJR's "Frank Beckmann Show." Van Beek also appeared in a story for WXYZ-TV7 in Detroit, which devoted an entire segment to the study.

These two recent projects are valuable additions to the Mackinac Center's growing number of school databases. The Center's growing reputation has even penetrated the bureaucratic walls of the Michigan Department of Education, which recently referred a reporter to the Center when they asked about data on teacher salaries. The Mackinac Center is quickly becoming the go-to place for facts about Michigan's public school system. [1](#)

## Capital Reporting

With a deep bench and a commitment to government accountability, Michigan Capitol Confidential continues to break stories that much of the mainstream media doesn't have the resources or political will to touch. Whether at the local, state or federal level, CapCon is exposing questionable policies, inaccurate reporting and key votes that politicians hoped no one would notice.

### LOCAL

The top story on July 13 was the Lawrence Public Schools use of its phone alert system to send out a robocall instructing residents and parents how to participate in the recall effort against Gov. Rick Snyder.

Capitol Confidential's Jack Spencer called the superintendent of the district. "It will never happen again" Lawrence Public Schools Superintendent John Overley told Spencer. "It will not be done again, ever."

The article became a national news story when it was picked up by PajamasMedia.com, home of "Instapundit" blogger Glenn Reynolds.

Over the course of several weeks, CapCon also reported that several school districts that earlier in the year were warning of mass teacher firings and layoffs in the face of small funding cuts have actually maintained staffing levels or added teachers. Reporter Tom Gantert, working with Education Policy Director Michael Van Beek, also wrote about several school districts that were claiming severe budget cuts, when in reality those districts' spending has increased year after year.

### STATE

While a united mainstream media chorus was repeating the conventional understanding that Gov. Snyder's first budget agreement would cut state spending, Capitol Confidential readers learned from Mackinac Center analysts James Hohman and Jack McHugh that the truth was a lot more complicated.

The pair concluded that state spending from resources taken directly from Michigan taxpayers will actually increase in the next fiscal year by \$758 million. In other words, the money that state lawmakers most directly control — and the spending that hits state taxpayers the hardest — will be higher in the next fiscal year.

### NATIONAL

In June, there was a two-front fight against Project Labor Agreements — a special perk that effectively shuts out non-union merit-shop contractors from government construction projects and thus drives up the cost to taxpayers. That month featured three votes at the state and national level to kill PLAs: the U.S. House of Representatives, the Michigan House of Representatives, and the Michigan Senate each had roll

call votes forcing members to state their position on the issue.

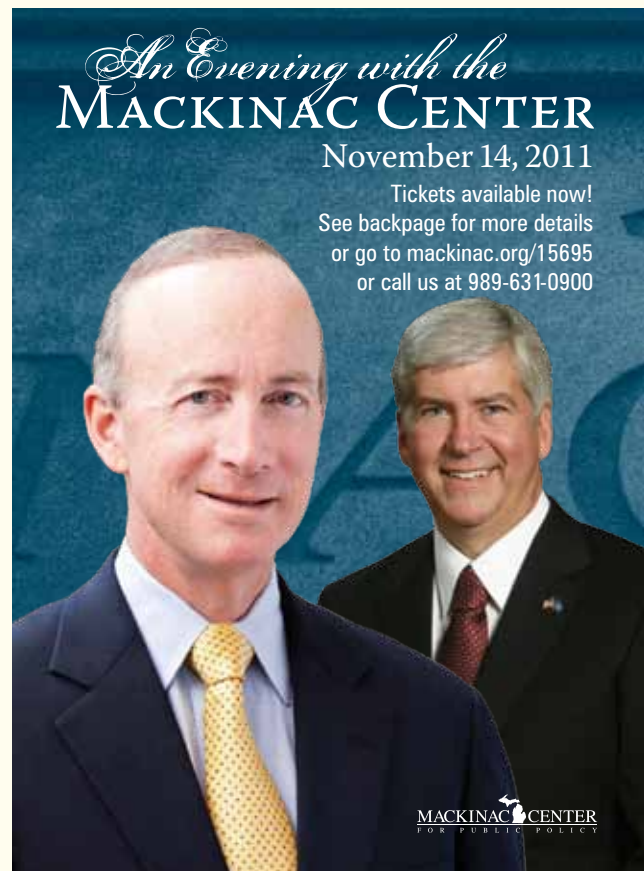
Support amongst Michigan Republicans to kill the PLAs was nearly unanimous. A bill to kill PLAs moved through the Michigan Legislature with unanimous GOP support and was signed by Gov. Snyder.

At the national level, one Republican lawmaker from Michigan voted with the unions: Congressman Thad McCotter of Livonia. One type of PLA mandate imposed by President Obama survived the U.S. House by a single vote, and thus never went to the U.S. Senate for consideration. Effectively this means that Rep. McCotter could have changed the outcome in the House by simply voting the other way — or even just not voting at all.

This was the story posted on Capitol Confidential on June 23.

On June 24, Rep. McCotter called in as the guest interview to the USA Talk Radio website. The host, Steve Rosenblum, asked about the Capitol Confidential article and received what Rosenblum would later characterize as a response that was "a little testy" in comparison to his previous chats with the congressman.

Rather than address the substance of PLA policy, Rep. McCotter instead took issue with whether or not his vote was the deciding vote. And then he quickly announced that he needed to catch an airplane. I



**UNION COERCION** from Page One

announced that it sought to organize U-M’s graduate research assistants as public employees.

Most Michiganders don’t know that graduate students at the state’s universities can be unionized, but Day was all too aware. Earlier, as a graduate teaching assistant, she had refused to join the GEO, which “represents” teaching assistants in collective bargaining negotiations with U-M. Despite her refusal, she was legally compelled to pay the GEO “agency fees” that were virtually indistinguishable from union dues.

Worse, Day remembered the work rules and work-hour restrictions the GEO had bargained for teaching assistants, and she knew the union contemplated similar restrictions for graduate research assistants. As she later told us: “It would hinder our ability to do science. Cells don’t know that work hours are 9 to 5. Cells don’t know when it’s the weekend. I recently completed an experiment that involved taking samples every eight hours. I wouldn’t have been able to do that under the strict work-hour regulations the GEO wants.”



“I felt betrayed. The Board was supposed to defend my interests as a student, and instead it abandoned them to the GEO.”

Fundamentally, with unionization, Day knew that she and other U-M researchers could suffer a crippling disadvantage in competing with other universities in completing and publishing research. Nor could the union bargain with the university for better wages, since the money for her research came from a federal grant. Unionization, she concluded, was a Pandora’s Box.

Then the other shoe dropped. In May, even as Day and other graduate students began to organize against the proposed unionization, the U-M Board of Regents voted 6-2, in a party-line vote, to support the GEO’s proposal to unionize U-M’s graduate research assistants. “I felt betrayed,” Day said later. “The Board was supposed to defend my interests as a student, and instead it abandoned them to the GEO.” Amazingly, the board had made its decision despite the impassioned objections of University President Mary Sue Coleman, who told the regents before their vote: “I do not see research assistants as our employees, but as our students. ... When I was a graduate student, I did not

see myself as working for the university, and I did not see my faculty mentor as my employer. Far from it.”

But Coleman’s plea had gone unheeded. At this point, Day told us, “I felt alone.”

She wasn’t.

Patrick Wright, director of the Mackinac Center Legal Foundation, had heard about the case. He knew that for the GEO to unionize U-M’s graduate research assistants, the union would need the approval of the Michigan Employment Relations Commission, a state agency that oversees elections for the state’s public employee unions. His research revealed that in 1981 MERC had ruled that graduate research assistants at state universities were not public employees. This ruling had the full force of law. In fact, MERC had reached its decision only after 19 days of hearings, thousands of pages of exhibits and hundreds of pages of legal briefs. And Wright also discovered that MERC had rendered its 1981 decision in a very specific case: a case involving the GEO, the University of Michigan — and the university’s graduate research students.

In other words, the GEO, without bothering to lobby the Michigan Legislature for a change in state labor law, was hoping that MERC — the very same state agency that had rejected the GEO’s earlier petition as improper — would ignore its earlier ruling involving the very same union, the very same university and the very same classification of students.

Yet the GEO appeared likely to get away with it. It was already June, and MERC hadn’t rejected the GEO’s petition. Nor was MERC’s recent track record encouraging for Day and students like her: MERC was the same state agency that had signed off on the illegal unionization of Michigan’s home-based day care providers, a case Wright had had to argue for more than a year before the state capitulated and stopped collecting illegal “union dues” from federal day care subsidies.

So Wright called Day in June and offered to represent her. Grateful — and determined — she accepted. As she said at the time: “I can’t let this go by without trying to stand up for what is right, and in this case, we have a situation where liberty is being lost.”

Wright moved quickly. In July, acting on Day’s behalf, he filed a motion to intervene at MERC in the deliberations over the GEO’s petition. Legally, he argued, this case was already settled, unless MERC wanted to reconsider its 1981 decision. If the case were revisited, he noted, the GEO would have to provide decisive evidence that the facts of the case had changed; yet, as he showed, the facts were essentially the same. Wright’s detailed, methodical 20-page brief inexorably painted MERC into a corner: The

**WHERE DO MICHIGAN'S UNIONS** get such power that they would brazenly attempt to turn graduate student researchers into public employees and carelessly bypass more than 30 years of settled law? In part from their close relationship with government officials, and in part through the money they raise for political action.

Both of these elements of union power were on trial in a key case, *Michigan Education Association v. Secretary of State*, in which the Mackinac Center has filed three friend of the court arguments. In that case, the MEA has disputed former Secretary of State Terri Lynn Land's interpretation of state law about the use of state resources for private political contributions. For years, Michigan school districts have helped public school employee unions collect money for the unions' political action committees by withholding members' contributions from their paychecks and forwarding the money to the PACs. The MEA has argued that this is a legal use of state resources as long as the union repays school districts for the cost of the withholding programs; Land had correctly ruled that it wasn't.

The battle over union PACs' improper use of governmental time and equipment has been ongoing since 2006. Throughout the case, the MCLF argued that government was not a quasi-temp agency that could be rented to help the MEA obtain its political ends. At a 2008 oral argument at the Court of Appeals, a judge cited the Mackinac Center as the genesis of his question on this issue.

And then, after numerous procedural twist and turns, the Michigan Supreme Court rendered a major decision on June 30, 2011, upholding Land's ruling and rejecting the idea that public resources can be dedicated to raising private political funds. In its decision, the Michigan Supreme Court relied heavily on a "no-renting-public-resources" argument similar to the Center's in holding that the paycheck withdrawal plans were illegal.

The MEA and other Michigan public employee unions will now have to collect their own PAC monies, a more costly, time-consuming and uncertain process. It is, however, identical to the process every private organization must use to gather the support of its members. In short, this victory means government unions are beginning to lose their privileged status under Michigan law and their unfair advantages in the political arena — a boon to Michigan taxpayers who have every right to expect public resources to be used for public, not private, ends.

commission would have to willfully ignore its own binding precedent, or it would have to engage in a long, costly process with no guarantee of a different result.

Nevertheless, the outcome was uncertain. The GEO immediately responded with a vituperative legal filing that argued Day lacked legal grounds for appearing before MERC — an interesting charge, since MERC had earlier defended its actions in the home-based day care case by saying it would have readily listened to testimony from any providers who had objected. And the GEO remained confident in August, just days before MERC's eventual decision, posting on its website, "[W]e need the Michigan Employment Relations Commission to approve of the terms and order the election; we expect that both of those things will happen at MERC's regular meeting this coming Monday. Look out for an update Monday afternoon!"

Wright showed up for the MERC meeting that Monday, Aug. 8, and bad news came quickly: MERC rejected Day's motion to intervene. This hadn't been completely unexpected — Wright's day care union case had started with a defeat — but it signaled that Wright and Day were in for a long haul. The GEO appeared poised to receive MERC's approval, and Wright knew he would have to appeal to the courts while the GEO marched ahead.

And then suddenly, it didn't happen. Wright listened intently as the commissioners, in a deeply gratifying reversal of fortune, unanimously dismissed the GEO's election petition, citing MERC's 1981 ruling and reiterating that ruling's holding that graduate research assistants were not public employees. The commission, in other words, had accepted the Center's arguments and done the right thing. Day would not be forced into

a union that could skim "fees" from her stipend and jeopardize her future.

Wright immediately phoned Day, making a call to his client that every lawyer dreams of. She was elated and relieved. "You are all lifesavers," Day later told Wright and the Center's communications staff. "I felt like I was fighting this on my own and being overpowered. Then you stepped in."

Wright knows the union may not give up. He notes that MERC offered to help the GEO hold nonbinding union elections — a questionable offer of public resources that might allow the GEO to try to parlay a positive vote into a compulsory union. And the GEO has an incentive to press on: This unionization would have made 2,100 students into public employees and led to over \$1,000,000 in annual dues going to union coffers.

Yet there is no doubt that MERC's ruling is a crushing defeat for the union in a labor venue where it had its best chance of success. Michigan courts will be reluctant to second-guess MERC's decision, and the Legislature seems more likely to restrict new unionizations than expand them. The GEO's task has just become exponentially harder — as, indeed, it should. The burden of proof should remain on those who would place unionization over education and put students' research — and dreams — at risk. **I**

## Putting the Passion in Compassion

Ethelmae C. Humphreys' home and family business were not physically damaged in the May 22 tornado that killed 160 people and devastated the city of Joplin, Mo. But that doesn't mean her interests were untouched.

Several of the employees of TAMKO Building Products Inc., where Humphreys is chairman of the board, lost their homes to the storm. The local high school was destroyed and other local businesses were leveled.

"This is the worst I've ever seen," Humphreys said of the damage, including the years she spent growing up in tornado country in Kansas.

But the philanthropy that TAMKO and other businesses and individuals have shown in Joplin has boosted the rebuilding efforts there. Within days, TAMKO made a generous gift to support relief initiatives.

"That turned out to be a lead gift, and many others joined in," Humphreys said.

Humphreys is a longtime supporter of the Mackinac Center and of the principles of freedom and free enterprise. Her parents, E.L. and Mary Ethel Craig, founded TAMKO in a streetcar barn in Joplin in 1944. Today, the corporation is among the nation's leading independent manufacturers of roofing, decking composite materials and other building products.



Ethelmae C. Humphreys

Humphreys led operations at the company for much of the 1950s, joined by her husband, Jay, as company president in 1960. After his death in 1993, their son, David, became president and CEO.

Free-market literature is one reason that the Humphreys became active in the freedom movement, according to Ethelmae.

"We started reading 'The Freeman' (a periodical of the Foundation for Economic Education) and became aware of how important freedom was to us. That's how we became turned on to the freedom philosophy."

Since then, Humphreys has served on the boards of the Cato Institute and FEE, where she met Lawrence W. Reed, then-president of the Mackinac Center and now a member of its board of scholars. Through Reed she learned more about the Center's work.

Today, Humphreys' advice and support help the Mackinac Center produce the free-market ideas and literature that advance freedom in Michigan, according to Center President Joseph G. Lehman.

"Every movement for social change has heroes who sacrifice to improve the lives of people they will never meet. Ethelmae's generosity to the freedom movement and her labors in it inspire me to want to give more and work harder," Lehman said. **I**

## Opportunities Abound

Michigan is a better place in which to live, work and do business today than it was just six months ago. While much remains to be done, we have good reason to be optimistic — even to celebrate.

The momentum in Michigan is shifting toward the limited government and free enterprise principles that you and I share. Imagine how much more we can accomplish in this environment.

I want to share more good news with you regarding the Mackinac Center Triple Play campaign, our drive to pump \$3.3 million over three years into three key objectives:

1. Fixing the state budget
2. Regaining state control of health care
3. Advancing freedom in our schools and workplaces

A group of longtime donors is making this ambitious agenda possible



Darryl M. White, Vice President for Advancement

by matching all new funding the Mackinac Center raises in 2011, 2012 and 2013 — up to \$1.65 million. For every new dollar we raise, these donors will match it.

This is the biggest matching grant opportunity in Mackinac Center history — and the response has been tremendous. We have already raised \$1.18 million toward the \$1.65 million goal.

More than 900 new contributors have joined the Mackinac Center since January, and many of our longtime supporters increased their giving to help us meet this challenge. We take this outpouring of support as a sign of how deeply Michigan residents like you want to help our state's turnaround.

Throughout this issue of Impact, you can read about the difference your gifts are making. Your generosity is

the strength behind our new research on school spending, our legal work on behalf of graduate student research assistants and our expanded news reporting — plus much more.

If you haven't made a contribution to Triple Play, I hope you will consider a donation toward the remaining \$470,000 we need to raise. Remember, our lead donors will match, dollar for dollar:

- All gifts we receive from new contributors
- Increased gifts from our current supporters
- All pledges made in 2011 to support our work in 2012 or 2013.

I invite you to call me at the Mackinac Center if you want to discuss in more detail how you can help. **I**



## Veteran Lansing Reporter Joins CapCon



Jack Spencer

The meteoric growth and statewide influence of Michigan Capitol Confidential were further enhanced this summer when veteran Lansing reporter and analyst Jack Spencer joined the staff. Spencer, who was the House of Representatives correspondent and senior analyst for the Michigan Information & Research Service for 13 years, became the Capitol affairs specialist for CapCon, the Mackinac Center's daily online news service. He has more than two decades of experience covering state and local government in Michigan.

Spencer's work supplements reporting by Tom Gantert, another long-time Michigan journalist, who focuses on local government and federal issues related to Michigan. CapCon Managing Editor Ken Braun was delighted with the addition of Spencer, whom he described as "a knowledgeable, fair and dogged reporter."

Since June, Spencer has contributed more than two dozen in-depth stories to CapCon, including illegal political action by public school districts, the forces and funding behind efforts to recall elected officials and restaurant and bar owners banning legislators who supported a statewide smoking ban. His work triggered articles and citations in legacy media outlets throughout the state.

National websites like POLITICO, RedState and Commentary Magazine picked up Spencer's story revealing a school district's use of a phone

alert system to encourage parents' participation in the recall of Gov. Snyder. In August, Fox Nation posted Spencer's article on a misleading and inflationary "green jobs" report published by the Brookings Institute. Other national media outlets linking to his stories included Instapundit, Dave Barry, Glenn Beck's website and HotAir.

"While citizens go about their daily lives, they need an extra set of eyes and ears to watch over their government," Spencer said regarding his work for CapCon. This is especially true, he noted, as journalism continues to evolve.

Center President Joseph G. Lehman agreed: "We have watched capital bureaus and news coverage from Lansing dwindle," Lehman said. "CapCon is filling that void — especially for Michigan residents looking for alternatives to big-government solutions."

Spencer, he said, "will help CapCon provide the reporting that Michiganders need to understand what's taking place in Lansing and to hold their elected officials accountable."

When decisions are made behind closed doors or policies are advanced that affect Michiganders' liberties, CapCon readers can rely on Spencer, Gantert, Braun and other Mackinac Center analysts and reporters to provide coverage that can't be gotten anywhere else. **I**

## Mackinac Center Updates

### Project Labor Agreements Abolished

Gov. Rick Snyder this summer signed legislation that prohibits union-only project labor agreements for state and local government projects. Project labor agreements, in effect since 1965, required construction companies working on a publicly funded project to have a contract with local construction unions, pay union dues, and make contributions to union pension and health care funds. Mackinac Center analysts had long pointed out that such arrangements prevent competition and drive up taxpayer costs on public projects.

### Coal Plant Moratorium Reversed

In June, the Department of Environmental Quality approved a permit for a Rogers City coal-fired power plant. This was significant because the administration of Gov. Jennifer Granholm had unilaterally and arbitrarily placed a moratorium on such plants. Mackinac Center Senior Environmental Policy Analyst Russ Harding had made the case that this policy was dangerous and economically destructive. The Snyder administration, with an assist from a principled judge, abandoned the moratorium.

### Board Chairman Olson Honored

Mackinac Center co-founder and board chairman D. Joseph Olson was inducted into the Michigan Insurance Hall of Fame in August. His distinguished career includes appointment by Gov. John Engler as Michigan's insurance commissioner. During his tenure in that position, the Michigan Education Association's insurance arm, MESSA, was required to refund tens of millions of dollars in overcharges to Michigan public schools.

### Freedom in Fiction Winner Published to Positive Reviews

"All Different Kinds of Free," the winner of the 2007 Freedom in Fiction Prize sponsored by former Mackinac Center board member Jim Rodney, has been published. The historical novel, authored by Jessica McCann, tells the story of a free black woman who was abducted and enslaved, and the 1842 Supreme Court decision that resulted from her fight to regain freedom. The book was named an Editors' Choice review by the Historical Novel Review. **I**



Jessica McCann's All Different Kinds of Free book.

## A Trillion Wrongs Don't Make A Right By Lawrence W. Reed

*(Lawrence W. Reed is president of the Foundation for Economic Education — [www.fee.org](http://www.fee.org) — and president emeritus of the Mackinac Center for Public Policy.)*

The failed attempt of the federal government to spend our way out of recession may say more about the country that swallows it than it does about the politicians who passed it. If Americans can be suckered into shackling themselves and future generations with trillions of dollars in new debt, shame on us!

This is a sign of neither strong character nor a sustainable economy. It reeks of the same moral cowardice and fiscal insanity that doomed great civilizations of the past. The bread and circuses that helped mightily to bankrupt ancient Rome come to mind. Where are the men and women of courage and integrity who will keep their hands in their own pockets?

Three years ago, even state governments that once jealously guarded their financial independence were hearing dinner bells instead. Few of the 50 governors at that time resisted the “come and get it” mentality and many of them, now that the federal well has run dry, are finally having second thoughts.

Consider House Concurrent Resolution No. 2 of the 85th General Assembly of the State of Indiana, passed by that state’s House and Senate in January 1947. Written in the quaint, commonsense vernacular of the day, its sentiments probably couldn’t muster more than a handful of votes in the state legislatures of 2011.

It begins thus:

Indiana needs no guardian and intends to have none. We Hoosiers — like the people of our sister states — were fooled for quite a spell with the magician’s trick that a dollar taxed out of our pockets and sent to Washington will be bigger when it comes back to us. We have taken a good look at said dollar. We find that it lost weight in its journey to Washington and back. The political brokerage of the bureaucrats has been deducted. We have decided that there is no such thing as ‘federal’ aid. We know that there is no wealth to tax that is not already within the boundaries of the 48 states.

So we propose henceforward to tax ourselves and take care of ourselves. We are fed up with subsidies, doles and paternalism. We are no one’s stepchild. We have grown up. We serve notice that we will resist Washington, D.C. adopting us.

The resolution urged the legislatures and citizens of all the states to “restore the American Republic and our 48 states to the foundations built by our fathers.”

If we had listened to the Indiana legislature in 1947, we might be several trillion dollars freer today. **I**



STUDIES

**Revenues and Spending of Michigan's Urban, Suburban, Town and Rural School Districts**

S2011-04

This study compares the revenues and operating expenditures of Michigan's urban, suburban, town and rural school districts. The study's findings provide a new and unique perspective on Michigan's school districts.

[www.mackinac.org/15112](http://www.mackinac.org/15112)

**Estimated Savings From Michigan's 1997 State Employees Pension Plan Reform**

S2011-03

In 1997, as a result of state legislation, the pension plan for the Michigan State Employees' Retirement System underwent a significant change. State employees who qualified for MSERS and who were hired on or after March 31, 1997, were placed in a "defined-contribution" retirement plan. Through fiscal 2010, the MSERS defined-benefit plan is estimated to have saved state taxpayers \$167 million in pension normal costs and \$2.3 billion to \$4.3 billion in lower unfunded liabilities.

[www.mackinac.org/15284](http://www.mackinac.org/15284)

SPECIAL ITEMS

**Michigan Public High School Context and Performance Database**

This database provides a summary of the state's public high schools' performance

against the background of each school's size, percentage of students eligible for federal school lunch subsidies and urban, suburban, town or rural locale class.

[www.mackinac.org/depts/epi/performance.aspx](http://www.mackinac.org/depts/epi/performance.aspx)

VIDEOS

**U-M Graduate Student Fights Union Grab**

A brief filed by the Mackinac Center Legal Foundation helped convince the Michigan Employment Relations Commission that graduate student research assistants at the University of Michigan are students, not public employees, and therefore cannot be unionized.

[www.mackinac.org/15471](http://www.mackinac.org/15471)

**Bring Out Your Debt**

A different look at how bringing public-sector benefits into balance with the private sector could save Michigan \$5.7 billion annually.

[www.mackinac.org/15421](http://www.mackinac.org/15421)

**The SEIU and Home Health Aides**

Home health aides, who often care for disabled family members, were forced into a union and now have part of their state subsidy checks skimmed off for union dues.

[www.mackinac.org/15378](http://www.mackinac.org/15378)

**A Meritorious Idea**

Oscoda Public Schools has come up with a revolutionary new way to evaluate teachers.

[www.mackinac.org/14447](http://www.mackinac.org/14447)

**Freedom to Work**

A grassroots coalition that includes several union members is pushing to get right-to-work protections for Michigan.

[www.mackinac.org/15365](http://www.mackinac.org/15365)

PERIODICALS

**Michigan Capitol Confidential**

Key stories: How to train politicians, an assessment of Gov. Snyder's first six months, Michigan teacher pay, GOP supports tourism subsidies.

Vol. 5 No. 2 – Spring 2011

**Michigan Capitol Confidential**

Key stories: Taxpayer K-12 money diverted to union business, "Big Oil" and teacher pensions, beer and wine distributorship monopolies, NASCAR subsidies.

Vol. 5 No. 3 – Summer 2011

*Center Snapshots*

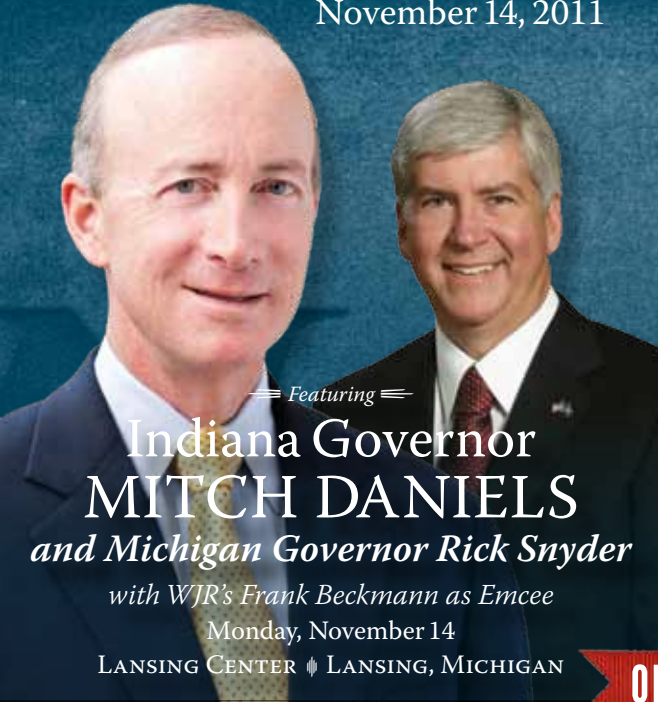


Members of Students for Liberty, a national organization dedicated to advancing free-market ideas on campus, convey their gratitude for the Mackinac Center's support of their Oct. 1 Midwest Conference in Chicago.

JOIN US!

# An Evening with the MACKINAC CENTER

November 14, 2011



Featuring

Indiana Governor  
**MITCH DANIELS**  
and Michigan Governor Rick Snyder

with WJR's Frank Beckmann as Emcee

Monday, November 14

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Mackinac Center **IMPACT**

## Under the Influence: Center Analyst Exposes Impaired Judgment of Liquor Laws

Few Michigan residents realize that the distribution and sale of beer, wine and liquor is affected by a labyrinth of outdated, inequitable and anti-consumer state laws. The system has resulted in hereditary fiefdoms and policies that block competition in exchange for lavish and widespread campaign contributions to politicians. But Fiscal Policy Director Michael LaFaive has concocted a potent mix of research and public education that is giving headaches to the defenders of the status quo.

The Center's recent analysis of the economics of these policies began with a Capitol Confidential essay on "Michigan's Government-Mandated Beer Contracts: Harder to Escape than Marriage?" and a corresponding video by Kathy Hoekstra.

Since that time the Center has distributed six different essays and several blog posts to thousands of Capitol Confidential subscribers, posted additional blog entries on the Mackinac Center website and published an Op-Ed in the Detroit Free Press titled "Rethink Michigan's Liquor Distribution System." Much of this information has been included in your recent bi-monthly Mackinac Center mailings.

The wide-ranging work touches on the economics of restrictive laws and rules that unnecessarily raise prices for liquor, beer and wine. On the liquor side of the equation, those price hikes come in the form of a 65 percent mark-up for the state and an array of taxes. On the beer and wine side of the story, protectionist stipulations in state law limit competition among wholesalers and appear drive up prices.

The media response has been terrific. In addition to appearing in the Detroit Free Press, the Big Rapids Pioneer reprinted an essay by Michael LaFaive titled "Distilling the Truth," and the Detroit News opined twice in favor of solid policy reforms while citing Mackinac Center research.

The issue is coming to a head at a critical time. Gov. Rick Snyder has appointed a 21-member liquor advisory committee to review state law and corresponding rules, and make recommendations for improving the system. The Center intends to ensure each member of the committee — which is meeting in private, closed sessions — is aware of our compelling and educational work on these topics. **I**