

The Magazine of the Mackinac Center for Public Policy MAY/JUNE 2013

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Celebrating In 2013!

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The Silver Lining

During long winters, such as the one we are just now recovering from, there always comes a point where I ask myself why I left California. (I grew up in Los Angeles.) Then I remind myself of Michigan's recovering outmigration rate, passage of right-to-work, and the massive grass root support to get this state back on track, and I'm reassured that Michigan is the better place to be.

Michigan's recovery, unfortunately, is always tempered by the discussion of Detroit. Assistant Director of Fiscal Policy James Hohman addresses Detroit's administrative woes – and the silver lining now that an emergency financial manager has been appointed – on Page 10. Detroit's journey has been hampered by poor public policy, mal-administration and corruption, but there are those who hold out hope that the Motor City can reinvent itself on stronger footing.

Of course, the battle against special interests is never really over. Take the many school districts that surreptitiously tried to skirt Michigan's new right-to-work law with "security" agreements. The surprising and reassuring result of this strategy is

that many teachers now feel safe enough to voice their discontent with unions. Anne Schieber, our senior investigative analyst, has interviewed teachers from around the state who don't feel represented by their union (Page 11), including the three Taylor teachers the Mackinac Center Legal Foundation filed on behalf of against these agreements.

The other news brightening up our cloud cover is the announcement that John Mackey will be the keynote speaker at our 25th anniversary gala in October. (Visit mackinac.org/25th online for more information.) Mackey is the co-CEO of Whole Foods Market and co-author of "Conscious Capitalism," the Wall Street Journal bestseller.

All in all, a busy start to the season! We look forward to hearing from you via letter, email, Facebook, Twitter, and, oh, carrier pigeon, we suppose. Whatever works for you – we love hearing from you.

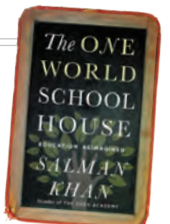
All best,
Lindsey Dodge, editor



MICHAEL VAN BEEK RECOMMENDS "THE ONE WORLD SCHOOL HOUSE"

"One could expect the creator of Khan Academy's simple YouTube videos to offer a rather unsophisticated and pithy view of how to use technology to improve K-12 schools. But in his first book "The One World School House" Sal Khan demonstrates just the opposite.

While writing how he stumbled into creating a wildly popular educational tool, Khan grapples with both the limits and possibilities of leveraging technology to personalize, customize and modernize instructional methods. The only shortcoming of the book is that Khan never addresses the primary barriers to innovation in public schools – government monopolies and the lack of effective incentives to improve. Despite this, the book would be valuable for anyone interested in how schools can use technology to enhance teaching and learning."



If you haven't noticed by now, John Mackey, co-CEO of Whole Foods Market, will be giving the keynote speech at our 25th anniversary gala. Make plans now to be in East Lansing, on the campus of MSU, on Oct. 7 to hear Mackey talk about his book "Conscious Capitalism" (see pages 12 and 13).

FROM OUR WEB

Blog

Keep up to date on the latest policy stories from Mackinac Center analysts. mackinac.org/blog

MichiganVotes

Want to know what your legislator (and others) have been voting for? MichiganVotes.org helps keep Michigan politicians accountable to their constituents.

MichiganVotes.org

CapCon

Our flagship news source for the state of Michigan. Breaking news like never before.

MichCapCon.org



WHAT FOLKS ARE SAYING
ABOUT THE MACKINAC CENTER

"The Mackinac Center has been an invaluable resource on which I have relied. I know firsthand the research provided by the Mackinac Center has positively influenced many discussions on the state and federal level."

– U.S. Congressman Dave Camp.



In Praise of Those Unpraised

Famous and powerful people win awards all the time. Some deserve them and some don't. Occasionally, someone less well-known will win an award for something truly praiseworthy.

This column is about everyone else — the ones who go about their lives quietly — who should win an award, but probably won't.

- The working mom and dad who figure out what the family will sacrifice to pay for the latest tax hike because politicians wouldn't sacrifice any government spending.
- The middle-aged man who loses his job and cuts his discretionary spending, draws on his savings, and seeks a lower paying job to tide him over for a while instead of immediately applying for unemployment or welfare.
- The small business owner who serves nearly every family in town, but who never gets a fraction of the recognition given to the local public school superintendent who retires young after a three-year stint he took to bump up his pension.
- The teacher — the one all the parents want for their kids — who is grateful for a secure job, good pay, great benefits and long summer breaks.
- The farmer who never gets called for the news story because the Agriculture Department official is easier for the reporter to get ahold of.
- The business owner who looks to government to enforce the rules fairly, not as a conduit for subsidies or cronyism.
- The young union leader who realizes the age of compulsory unionism has passed, and who quietly commits to renew their union on the cornerstones of voluntary cooperation and valued service to workers.
- The artist who creates by nature, not to win government arts council subsidies.
- The parents and grandparents who nurture their offspring with a deep respect for liberty, limited government, self-reliance and generosity.
- The kid stuck in a crummy neighborhood with little family support who wants to

earn their success somehow, and to their role model — who doesn't even know it.

JOSEPH G. LEHMAN

▪ The couple who takes in a young, pregnant woman who has nowhere else to go, and who pays for all her needs instead of signing her up

for government assistance because they are grateful to have enough to share.

- The stockbroker who understands it's easier to earn back money forgone than it is to earn back a lost reputation.
- The employer who gives a chance to the job applicant with the arrest record.
- The person who does for you whatever it is you would hate to do for a living.
- The pastor or other religious leader who teaches, encourages and exhorts to strengthen the moral underpinnings of civil society, without which no people can be free.
- The citizen who won't let their elected officials get away with saying one thing and doing another.
- The government official who realizes that every person described here is at least as important as he or she is.
- The Mackinac Center supporter who knows a hundred good causes but knows they all depend on the kind of society the Mackinac Center fights for every day.
- Those willing to risk their own lives, fortunes and sacred honor in defense of others' lives, liberties and pursuit of happiness.
- Everyone else equally praiseworthy, but who won't fit in a 500-word column.

I can name someone in every one of these categories and I hope you can too. ■

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The Mackinac Center's Superintendent Compensation Database

Increasing Transparency — One Contract at a Time

Some people react with outrage when they learn what some public school superintendents get paid. Others believe school boards get a great bargain for what they pay these CEOs who command multi-million dollar operations. Either way, what these public employees get paid is a topic of interest to many people. For that reason, the Mackinac Center recently created and released a free online database of superintendent compensation that covers all public school districts in Michigan.

This new tool allows users to quickly call up the compensation of any superintendent in the state, and compare his or her pay to that of nearby districts or districts of a similar size. Listed separately is the amount paid in salary, health benefits, pension payments, other retirement contributions and travel stipends. The number of allotted sick and vacation days is also provided, as is a link to a copy of each superintendent's actual employee contract with even more details.

The value of this database was made evident right out of the gate. After just a few days of being made available, it generated nearly 50,000 unique online hits. It accounted for about 63 percent of all traffic to Mackinac Center Web sites for these days, and has accumulated about 85,000 total unique views in just under a month.

Michael Van Beek, director of education policy for the Center and project manager for the database, also received dozens of phone calls and e-mails from superintendents, reporters and other concerned citizens about the database. Many of them praised the Center's effort.

The media reported on this new database extensively. A particularly valuable asset the database provides reporters is the ability to quickly compare the compensation of superintendents in one geographical area — their circulation or broadcast area, for example. A host of news stories popped up that took advantage of this function.

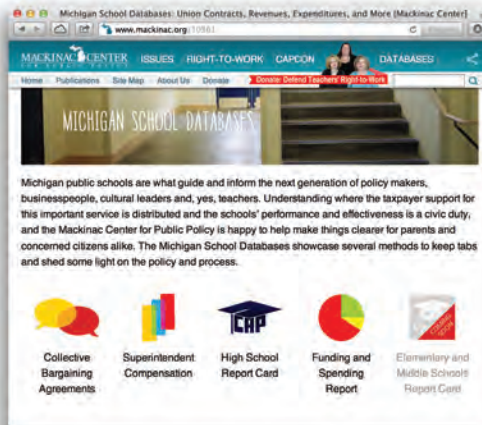
Stories appeared in nearly every area of this diverse state. Newspapers reporting on the new database included the Detroit Free Press, The Flint Journal, Grand Rapids Press, Macomb Daily, Kalamazoo Gazette, Saginaw News, Oakland Press, Holland Sentinel, AnnArbor.com, Mlive.com and MIRS Newsletter. Several other radio and television outlets ran stories about the availability of this new data as well.

The popularity of this new database has also helped spark new interest in the other valuable information that the Mackinac Center makes available to the public on its Web site. Web hits of the Center's other school-related databases — union contracts, funding and spending, and academic performance — all increased as a result of the superintendent database.

A lot of similar information is available on government Web sites, but unfortunately, much of it is difficult to find or only available in complicated Excel worksheets. The Mackinac Center makes this same information easy to find and makes sense of it.

What a school district chooses to pay its superintendent rarely makes or breaks its budget. In fact, it accounts for less than 1 percent of what districts spend statewide, on average. But as CEOs of tax-funded entities — the largest government agency in many Michigan communities — superintendents should be held to a high level of accountability. This isn't to say that superintendents are generally overpaid or underpaid (the average was about \$155,000 in total compensation), but that it should be easier for taxpayers to assess the type of value they're getting out of the superintendents they employ.

The addition of this new database means that even more Michiganders are finding valuable information on the Mackinac Center's Web site. This perfectly aligns with our mission to better educate the public about policy issues. ■



Along with superintendent compensation, the Mackinac Center maintains other easily accessible databases for collective bargaining agreements, high school report cards, funding and spending reports and (coming this summer!) an elementary and middle school report card. All of them can be found at mackinac.org/10361.



The Mackinac Center is proud to stand alongside fellow freedom fighters from around the United States. Every day, the country benefits from the fine work of men and women in the policy trenches — in every state in the nation — working to give everybody access to life, liberty and the pursuit of happiness.

Here are some of their most recent videos available at YouTube.com:



Betting on Illinois: Cori McFadden's Chicago Couture from the Illinois Policy Institute

An entrepreneur who views competition in the city as an incentive to succeed

<http://youtu.be/Vvwhyb78cck>



Choice & Hope in Special Education from the Kansas Policy Institute

Opening up options for special-needs students outside of the public school system

<http://youtu.be/O68hGzzAIOE>



No Income Tax NC from the Civitas Institute in North Carolina

Eliminating North Carolina's state income tax will make saving easier

<http://youtu.be/64L8uBxWU3A>



With each issue of IMPACT, the Mackinac Center interviews one of its supporters to highlight the people behind what we do in support of free markets. This issue, we feature **John Koegel**, grandson of Koegel Meats founder Albert Koegel.

Mackinac Center: How did Koegel Meats get started?



John Koegel: In the early 1900's, while in Germany, my grandfather Albert Koegel trained to become a Meister Wurstmacher, or "master sausage maker." He learned the meat industry from the

top to the bottom. After completion of the program, he relocated to the United States. In 1916 he moved to Flint, Michigan, because the auto industry was starting in the Flint area at the same time and he thought that there would be a chance for his business to grow along with the auto industry.

It was always his dream to own a meat company and he soon opened a retail meat market and made sausage on the second floor of the market. Other markets in the area began to carry his line of frankfurters and sausages and he added delivery trucks until he had a fleet of 16 trucks.

He therefore filled a niche as a local meat purveyor. Life revolved around the local Flint community. He and his business became well-known in the area. Grandpa became well-known for his personality and for the quality meats that he made and sold.

In 1932 he built a facility for manufacturing frankfurters and sausages and closed his retail business.

The secret to the success of Koegel Meats

has been quality and consistency. Our meat products are processed the same way, and we use the same recipes that my grandfather did when he first learned the business.

My father, Albert J. Koegel, had our current facility built near Flint's Bishop International Airport, in 1972. It's a great location being so close to I-75 and I-69.

Currently, the company sells 35 various products from its famous Frankfurters, to its popular Pickled Bologna, Olive Loaf, and Summer Sausage.

Mackinac Center: How has the company changed over the years?

John Koegel: We no longer do any butchering, and we do not have a retail store. Our products are shipped throughout Michigan instead of just Flint. We have had to eliminate products due to the changing taste of consumers. We have become an icon for quality meat products wherever our products are sold.

Mackinac Center: Why has Koegel Meats stayed in Michigan?

John Koegel: Koegel has stayed in Michigan because our customer base is in Michigan. It is difficult to expand into new markets because it is hard to get consumers to change their eating habits. Ninety-five percent of our product is delivered directly to stores by our own fleet of trucks. This makes sure that our customers get the freshest product. We deliver from Standish to Whitehall to South Bend, over to Toledo and the points in-between. We have distributors that

cover the northern part of Michigan. Most recently, we just went into Meijer's distribution centers and now several of our products are represented in their stores outside of Michigan.

Koegel has been transported and shipped all over the country. Our online fulfillment partner has shipped our product to all fifty states.

Mackinac Center: What value does Koegel Meats find in the Mackinac Center?

John Koegel: We believe that the Mackinac Center researches issues that the politicians can't or won't research, making suggestions for improvement or change. This is done keeping the focus on the long term, and determining if a proposed solution is sustainable both now and in the future. The Mackinac Center then brings these issues to light along with possible, suggested solutions.

Mackinac Center: If you could change any economic policy in Michigan, what would it be and why?

John Koegel: If I could change one economic policy, I would try to keep municipalities from being sued or from suing. Each time this happens the taxpayers are the ones that pay for the lawyers and for the final settlement. If an individual in a given municipality does something wrong, such as in a school, then the school district, or taxpayers, should not be allowed to be "pulled" into the suit; rather it should only be against the given individual. ■

Derk Wilcox is senior attorney at the Mackinac Center.

The SEIU Dues Skim Is Over

After legislative action, legal action and grass root support, the illegal dues skim of home-based caregivers by the Service Employees International Union has finally stopped. While the Mackinac Center Legal Foundation continues to fight for a refund for their clients, those people tending to sick family members and close friends need not pay further money to a wrongfully formed union.

Like a horror movie monster, the Service Employees International Union's scheme to unionize home-based caregivers seems to survive after every defense that would have killed a lesser beast. But at last, it seems, it has been put to rest for good.

It is not surprising that the SEIU would do everything in its power to preserve this dues skim. Since their scheme was implemented in 2005, the SEIU has collected more than \$34 million in dues from home-based caregivers – most of whom were tending to family members and close friends.

The scheme began in 2005 with the assistance of the then-Gov. Granholm administration. The SEIU, a self-described "militant" union, worked with a specially created quasi-local agency called the Michigan Quality Community Care Council to set up the MQCCC as a public employer of the caregivers. To receive Medicaid money for the patient, the caregiver is "employed" by the person to whom they provide care.

By claiming that these caregivers were public sector employees who were employed by the state of Michigan or one of its agencies, the SEIU was able to use a novel theory of labor organization that shirked the national labor law's prohibition of unionizing in-home employees.

The Mackinac Center first shone the light on this program and its underhanded method of stealth unionization. The Legislature stepped in and passed not one, but two measures that made it absolutely clear that these in-home caregivers were not public employees. On the eve of the second of these new measures becoming law, the MQCCC and the SEIU entered into a contract extension and pay-off which would, at least temporarily, block these new laws from having the desired effect of stopping this scheme. The dues skim lived on.

Attorney General Bill Schuette temporarily put a stop to this dues-siphon by the SEIU, but the union sued in federal court. The federal district court judge, at the union's request, issued a preliminary injunction in order to preserve the status quo until the court had a chance to examine the matter and make a final determination. The Attorney General appealed this preliminary injunction and the Mackinac Center filed an amicus brief in support of this appeal. Meanwhile, the dues skim continued.

The Mackinac Center Legal Foundation is continuing to seek a refund of some of the illegal dues for its clients.

The political implications were apparent. In its request for the preliminary injunction, the union baldly stated that it needed to continue receiving the skimmed dues for political purposes. The SEIU went on to sponsor and support Michigan's 2012 Ballot Proposal 4 which would have enshrined the dues skim in the constitution. Proposal 4 failed, but while the court waited for the election

results, the dues skim lived on.

Meanwhile, the Mackinac Center Legal Foundation sought a declaration that the caregivers were never properly public employees and also sought for a return of the wrongfully taken dues on behalf of clients Patricia Haynes and Steven Glossop. Ms. Haynes and her husband take care of their two adult children who live with cerebral palsy. Mr. Glossop takes care of his mother, following her stroke.

The dues skim ended Feb. 28, 2013 with the expiration of the dubious SEIU contract extension, after the passage of new statutes, a federal district court lawsuit and an appeal to the sixth circuit court of appeals, a complaint filed in the Michigan Employment Relations Commission, and a failed constitutional amendment backed by the SEIU. The Michigan Department of Community Health reports that the February Medicaid checks it sent to home-based caregivers were mailed on March 4, and that these were the last checks that will deduct dues for the SEIU.

The Mackinac Center Legal Foundation is continuing to seek a refund of some of the illegal dues for its clients. Meanwhile other states continue to allow the stealth unionization of home healthcare workers, childcare workers and even foster parents. It is clearly easier to prevent such stealth unionization of home-based caregivers than it is to stop it, and the Mackinac Center now monitors all public-sector union certifications. ■



The Mackinac Center Legal Foundation represents Steven Glossop in the case against the SEIU and MQCCC's illegal unionization of home-based caregivers. Despite asking to be released, dues continued to be skimmed from his mother's Medicaid checks.

Vincent Vernuccio is director of labor policy at the Mackinac Center.



Right-to-Work in Michigan and Beyond

TALES FROM THE ROAD

Across the country policy makers, activists and citizens are taking note of the historic move Michigan made last December to finally give workers the freedom to choose whether to financially support a union. The Mackinac Center is traveling the country on a “You Can, Too” tour, telling the story of how a state with the 5th highest union membership rate in the nation, where the UAW was born, and with a traditional labor stronghold was able to enact worker freedom.

These talks are more than a simple retelling of the 20 years the Mackinac Center has been saying right-to-work is right for Michigan and the events that spurred its passage in 2012. They are a message of hope.

Many believers in the free market are dismayed with the events in Washington but see real promise in the states. Michigan, Wisconsin and Indiana put workers, job creators and taxpayers above the special interests and are leading the charge.

States like Pennsylvania, Montana, Missouri and Ohio have all taken note and are moving to follow the lead of these labor reformers.

Closer to home, Mackinac is speaking to Michigan residents about what the new right-to-work law means and how it will affect them. I have had the privilege of presenting at several town halls hosted by Americans for Prosperity-Michigan.

From Monroe County to Grand Rapids, the Center has been showing that right-to-work states have lower unemployment, higher job growth, higher population growth, and, when cost of living is factored in, workers are actually making more.

More simply though, the talks revolve around worker freedom. Right-to-work simply means that a union cannot get a worker fired for not financially supporting them.

Many people in the audiences have already

supported worker freedom. Some were unsure, and a few union officers even stood up to voice their opposition.

At multiple events I was able to speak directly to union members. I think, when all the facts were presented to them, some may have even changed their minds in favor of worker freedom.

At one event a former officer of the International Brotherhood of Electrical Workers stood up to voice his opposition for right-to-work. We verbally sparred publicly but after the event was over I made a point to talk to him. While he still disagreed with me, he did invite me to tour the IBEW Training Center in Warren.

I took him up on the offer and was able to see a state of the art facility preparing union electricians to do work around Michigan and the country.

The center was one of the main things unionization should be about, training workers to do their job well and preparing them for a competitive job market. It is also indicative of the future of unions in Michigan with a right-to-work law: the unions which represent their members well and provide a valuable service will not only survive, but thrive.

The first few years of right-to-work in Michigan will be confusing; some workers gained their rights as soon as the law went into effect on March 28, 2013, while others may wait years for their contracts to expire or be modified. But the Mackinac Center continues its fight for these and all workers in Michigan and around the country. ■

“Editor’s Note: For more information on right-to-work, how it will help Michigan’s economy and how union members can exercise their rights under the new law, check out Mackinac’s new website Mlworkerfreedom.org.”



Most of you probably get a weekly email from us. Some of you more than one. They’re sent to smartphones, tablets, iPads, laptops and desktop computers and keep you up to date on the latest developments going on at the Center. “Our various email options let people pick and choose what type of information they want to receive from us on a regular basis,” according to Dan Armstrong, marketing and communications team leader. “It can be tailored to their interests and delivered right to their inbox.”

The options to choose from include:

MICHIGAN CAPITOL CONFIDENTIAL

Michigan Capitol Confidential: The Center’s daily news service delivers timely and insightful analysis and commentary on state policy issues that the old line media cannot or will not cover. Links to that day’s top stories are sent each morning at 6:30 a.m.

THIS WEEK AT MACKINAC

This Week at Mackinac: Known as “TWAM” for short, this update is sent out every Tuesday at 11:30 a.m. and provides a look at the top items from the Center’s blog and CapCon for the week.

Michigan Education DIGEST

Michigan Education Digest: This weekly compilation of the top education stories from around the state arrives at 8:30 a.m. on Tuesdays and provides a free-market based perspective on issues affecting public schools.

THE OVERTON WINDOW

The Overton Window: An occasional, unique look at specific policy matters viewed through the lens of the Overton Window of Political Possibility, a concept invented by our late vice president, that explains how a narrow range of policies can be considered politically possible at a given time — and how that window can be shifted.

VIEWPOINT ON PUBLIC ISSUES

Viewpoint on Public Issues: A monthly roundup of our “Op-Ed” style commentaries that address specific public policy issues and provide specific policy prescriptions — you will often see these reprinted on the editorial pages of newspapers across the state and nation. How do you sign up? Just go to mackinac.org/subscribe, fill out the information, pick which updates you’d like to receive and get ready to be informed. ■

THIS AFTERNOON, SCHOOLS ACROSS MICHIGAN WILL BE SAVING MONEY WHILE SERVING NUTRITIOUS SCHOOL LUNCHES – FEEDING THE SAVINGS BACK INTO THE CLASSROOM. >>> IT DIDN'T JUST HAPPEN OVERNIGHT.

>>> The Overton Window of Political Possibility

The Overton Window of Political Possibility is a model to explain how changes in public policy occur. When evaluating the options within any specific public policy issue, only a relatively narrow window of options will be considered politically acceptable by politicians. The window of acceptable policies is not primarily defined by the politician's preference, but by what he or she can support without jeopardizing re-election. As society embraces new ideas, the Overton Window shifts to include additional public policy options that were previously deemed unacceptable.

The Mackinac Center has long argued that the quality of public education could be improved – and taxpayer dollars could be stretched – by privatizing non-instructional support services such as food, transportation and custodial services.

For most of the second half of the 20th Century, public school officials were severely hampered in their ability to contract services to private vendors. In 1975 an appeals court ruled that contracting was a mandatory subject of collective bargaining – school districts could not use private contractors without negotiating with teachers unions.

2012

The Mackinac Center's most recent Michigan School Privatization Survey found that 61 percent of school districts contracted out at least one service, for a statewide savings of \$12.8 million.

2007

Mackinac Center Fiscal Policy Director Michael D. LaFaive released "A School Privatization Primer for Michigan School Officials, Media and Residents." The primer examined national and state-wide privatization trends and provided recommendations for school districts seeking to stretch education dollars.

2001

The Mackinac Center began surveying every Michigan school district to evaluate which districts used private-sector vendors. In 2001, 31 percent of school districts contracted out at least one of their food, custodial or transportation services.

1994

The Michigan Legislature passed Public Act 112, which prohibited unions from negotiating over the privatization of noninstructional support services. This new law empowered school districts to seek out the most cost-effective vendor without needing the union's permission.

1994

A Mackinac Center investigation revealed that the MEA outsourced the same services that it sought to keep locked into the public school context. Rather than use its own unionized employees, the MEA contracted out its custodial, food, security and mailing functions. Three of the four firms the MEA contracted with were non-union companies.

1993

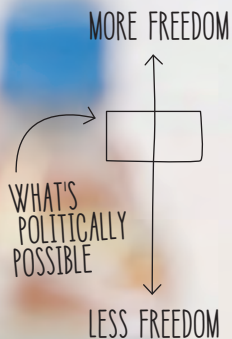
In an internal document the Michigan Education Association stated that one of its top priorities was opposition to "any privatization of public school functions."

1993

The Mackinac Center and the Reason Foundation co-published a series of privatization manuals recommending that school districts reduce their expenses by outsourcing non-instructional costs.

1992

Mackinac Center President Larry Reed called for privatization of school services. The Mackinac Center also started publishing the Michigan Privatization Report. In the inaugural issue we stated: "[P]rivatization in our state has gone from the textbooks to the headlines in the twinkling of an eye."



The concept of the Overton Window is very simple. Policy issues normally travel towards improved freedom or lessened freedom. The Mackinac Center's default is to move an issue toward more freedom. We want more.



Detroit

The Administrated Road to Serfdom

Kevin Orr recently began his tenure as Detroit's emergency financial manager, assigned to fix the government's finances. Some question the legitimacy of the placement after voters rejected Public Act 4, the Local Government and School District Fiscal Accountability Act, via referendum in November. Unfortunately, strong emergency manager legislation is important because Detroit's financial emergency cannot wait.

Public Act 4 allowed the state to declare that a local government or school district in Michigan faced a financial emergency and, if the government unit had no plan to adequately address the fiscal emergency, to empower an Emergency Manager with authority over the government through its crisis. The law was an update of rules to keep local governments from insolvency in existence in Michigan since 1988.

But, declaring that such managers are fundamentally undemocratic, a citizen initiative gathered signatures and put the law up for referendum. The law was rejected by voters 53-47. Supporters made a mistake, however, by putting the law up for referendum — by having voters reject the legislation, the state's older emergency financial manager law was reinstated. The older legislation still allowed the governor to appoint someone to control a government unit facing a fiscal emergency.

The old legislation had some problems: it was causing long-term confusion over

who controlled what in the Detroit Public Schools and it didn't necessarily equip the managers with the tools necessary to fix the government's problems, such as the power to amend union collective bargaining agreements. Legislators revised it, hoping to address some of these vestigial issues, but also allowed the local government more options to address their fiscal problems themselves.

The state is fundamentally responsible for its local governments, setting the rules by which local governments operate. One of those includes a requirement to maintain a balanced budget and to address any deficits as they occur. The state even helps local governments raise cash in the near-term in case fiscal problems arise. But if the state's rules and assistance do not prevent the government unit from approaching insolvency — the point where the government does not have the cash to pay its bills as they are due — the state is obligated to take a more active role.

It's no secret that Detroit is facing fiscal problems. On paper, the city has had insufficient assets to pay for its liabilities for over a decade. It passes budgets that have little to do with what the city takes in income and what it spends. It has substantial long-term debt — \$9.3 billion, plus \$5.7 billion owed for optional retiree health care. There are administrative problems galore.

For instance, the city's auditors found that city human resources records weren't

consistent about when people were hired and when they left their jobs. Nor does the city reconcile their bank statements in a timely fashion, track its inventory well, or keep track of its capital assets.

Moreover, as the state's findings indicated, city budgets have had little to do with the city's revenue or spending — presumably the primary concern of a budget.

Keeping appropriate books and effective management is vital to addressing the government's fiscal situation. It allows managers to identify waste, fraud and abuse — which should be important in a city where so many former politicians have been convicted of corruption. But it also ensures that the services that the city is supposed to provide actually get provided.

No one votes for mismanagement, but sometimes the decisions of elected officials result in it.

The state tried to get Detroit to fix its own problems — city officials signed on to a fiscal stability agreement with the state. But implementing the plan was slow and Detroit was again getting close to running out of the cash necessary to pay its bills.

There aren't too many other options available to state officials to address the financial emergency in Detroit. It's possible for the state to bail the city out. But unless the city fixes its financial controls, it's likely only to prolong the city's problems. It's also possible that the city can get permission to enter a bankruptcy court, where a judge has the ability to nullify the city's debts. However, bankruptcy judges do not run the city — it remains in the hands of city officials and the administrative problems can go unaddressed as judges simply slash financial claims on the city.

This leaves the state the most palatable option of appointing Orr as emergency financial manager, and he will have his hands full with Detroit. Success is not guaranteed, but there are few other options available to fix the city.

As I wrote in *The Detroit News*, administrative problems are like problems with the brain's central nervous system — the proper messages don't get sent to the head. Detroit will not begin functioning properly until its administration is addressed. ■

**JAMES
HOHMAN**

Teachers Speak Out: The Aftermath of Right-to-Work

The recent right-to-work law passed in Michigan is having an unanticipated impact on public discourse: some teachers are now talking publicly about the contempt they have for unions. In fact, the shared sentiment from many of these educators is that the collective mentality of unions can rob teachers of their drive.

"When I got tenure, I was trying to be careful because I knew this would happen, I suddenly became less hungry," says Rob Wiersema, an teacher at Hopkins High School in the Hopkins Public School district.

"I don't know if it impacted student learning, but I know it impacted my behavior and I think the unions encouraged that," he says.

Nor are many teachers cowering from explaining the deleterious impact of unions and school boards' collusion to mismanage money. Teachers in Taylor Public Schools point to two independent studies that show how the district could save money by privatizing non-instructional services such as transportation and maintenance, currently handled in-house by union employees.

"There are not enough books to go around. There is a constant fight for supplies. In my first trimester, I had 36 students in my class," says teacher Nancy Rhatigan, a self-described political liberal.

Rhatigan says she was excited at first when she landed a teaching job in a public school system. She looked forward to good benefits, pay and job security. Now her employer, Taylor School District, is in financial turmoil. Teachers are getting laid off and have agreed to a 10 percent cut in pay.

Rhatigan, along with teachers Angela Steffke and Rebecca Metz, is suing the district and their union, the Taylor Federation of Teachers, over the deal which secured savings in teacher salaries in exchange for 10-year union representation. Under the right-to-work law, union members must wait for such agreements to expire before they can opt out of fees.

Teachers in Roscommon Public Schools recognized for years that their union, the Michigan Education Association, was not working in their best interest.

After 21 years, they managed to break off from the union and form their own collective bargaining unit.

"The MEA was expensive and not responding to our needs," said Jim Perialis, president of the new Roscommon Teachers Association.

"With the help of the Mackinac Cen-

ter and other nonprofit organizations, we were able to replace the services the MEA had done for us, and not very well," he adds. In their first year, teachers are saving nearly 50 percent on dues and stashing away enough to have a \$100,000 "financial war chest" in four years.

Dues have been a bone of contention for many teachers. It is conceivable that a teacher could pay a union between \$25,000 and \$30,000 over the course of a 30-year career.

Even before right-to-work, teachers who wished to opt-out of the union could exercise their right to do so; however, they were obligated to pay a union agency fee, which the Mackinac Center has written about because the fees average 85-90 percent of the dues themselves.



Reflecting on how she feels the union has not served her, Metz asks, "Has it helped me teach? No. Has it changed anything in my classroom? No. Has it changed my life, yes, because I pay dues and I'd really like that money for me."

Unions take credit for teacher salaries, which in Michigan rank in the top five nationally, and tenure clauses that for years protected teachers from being demoted or fired without a hearing from a tenure commission. But Wiersema thinks those things have made teaching worse, not better. He points out that unions have created such artificially high pay packages that it is creating droves of applicants for limited teaching jobs.

"I competed against hundreds of others who were equally qualified to do the job," he says. He felt like he won the lottery when he was hired, but lamented that

students' families invest time and money in teaching careers which have become a refuge for those who are attracted to the lucrative pay packages rather than invested in teaching.

Wiersema actually sat on a school board until he lost to what he says was a union-supported candidate. He also worked at a private school for several years before his public teaching job. He has been vocal about his views that public school teachers are overpaid, a position that does not sit well with his colleagues.

On the subject of preps, a separate teaching subject, Wiersema says there is a stark difference in work between private and public: "I went from being a private school teacher teaching six 'preps' a day to Hopkins where I now do three."

Equally disturbing to him is the public school pay system which rewards teachers by seniority and degrees. The Mackinac Center's Michigan Capitol Confidential website has reported on several studies that show there is no correlation between level of college degree and teaching performance. Wiersema believes that the salary policies stifle innovation and thought by rewarding teachers for staying put in one place.

"I've been here 16 to 17 years. If I were to try to go to another district, I would not be paid equally," referring to the "step-scale" system that gives teachers as much as 10 percent raises for every "step" they reach over a period of years. The step increases are additional to bargained pay raises. Unlike many workers in the private sector today, teachers often stay with one employer for an entire career.

"My feeling is you don't get as much cross pollination. You don't get sharing and synergy," says Wiersema.

The union-negotiated pay system can hurt in other ways. No matter how hard they work or how well they perform, teachers' salaries are capped. Unions have long fought digital classrooms, where teachers could be rewarded by free-market forces. On-line educator Salman Khan has turned his teaching talent for math and science into a lucrative education enterprise. Currently, if teachers want to earn more money, they must seek district administrative jobs, which remove them from teaching altogether.

With right-to-work, there will undoubtedly be increased worker freedom and accountability on the part of Michigan unions. The uncalculated benefit of worker freedom is that many teachers now feel free to speak up against union groupthink. ■



METZ



PERIALIS



STEFFKE

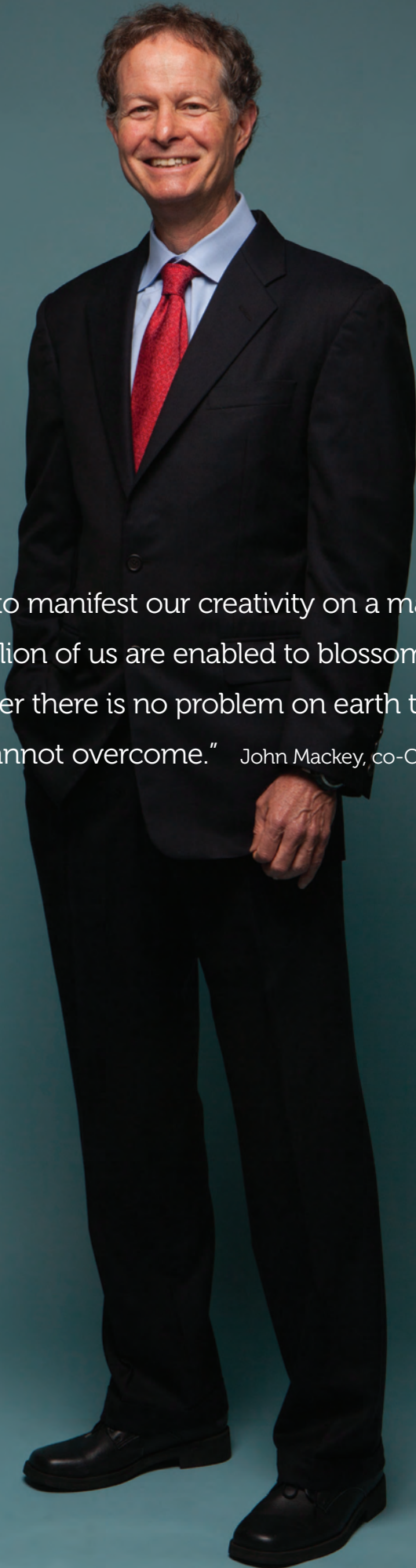


WIERSEMA



RHATIGAN

INSET PHOTO: From the cover, Angela Steffke is shown here at the press conference announcing her intentions to sue their union (along with two other teachers').



“When we learn how to manifest our creativity on a mass scale, when many more of the seven billion of us are enabled to blossom and empowered to create, we will discover there is no problem on earth that we cannot solve, no obstacle we cannot overcome.” John Mackey, co-CEO Whole Foods Market

John Mackey will be giving the keynote address at our 25th anniversary gala Oct. 7. Be inspired. Join us. mackinac.org/25th

The Mackinac Center for Public Policy prides itself in advancing liberty and opportunity for all people. We believe that by championing this for the past 25 years, more and more people in Michigan and even beyond have helped us to be effective.

With that in mind, this year's 25th Anniversary Gala is themed "Liberty Changes Lives." The event will feature stories of how liberty improves the well-being of all those with whom it comes in contact. The keynote speaker will be a man who has proven the value of the free market with both tangible and intangible results. The Mackinac Center is proud to feature a leader in the "conscious capitalism" movement: John Mackey, co-founder and co-CEO of Whole Foods.

Mackey is unapologetic about his message that capitalism can be caring. In the book he co-authored, "Conscious Capitalism: Liberating the Heroic Spirit of Business," he details many mainstream companies that not only profit financially, but also benefit society.

"I think one of the most misunderstood things about business in America is that people are either doing things for altruistic reasons or they are greedy and selfish; just after profit. That type of dichotomy portrays a false image of business. It certainly is a false image of Whole Foods. The whole idea is to do both: The animals have to flourish, but in such a way that it'll be cheap enough for the customers to buy it."

One of his missions is to remediate poverty. He has set up foundations to bring healthy, organic food at a reasonable price to those who normally would not have access to it.

Mackey believes he has a responsibility to the communities where his stores are located and also across the country where a lot of trading takes place. He encourages his team members to volunteer in service missions, reaching out to developing countries.

Mackey will deliver his keynote address during the Mackinac Center's 25th anniversary gala Oct. 7 at the Kellogg Center in Lansing. Visit mackinac.org/25th today to join in the celebration! ■

Lost in Transition

A PENSION AND THE PUBLIC TRUST

Last year, Gov. Rick Snyder and the Michigan House rebuffed a Michigan Senate proposal to close the state's public school employee pension system to new workers. Their decision had grave consequences: The state continues to add unchecked obligations to a system whose unfunded liabilities already exceed \$22 billion.

This figure may decline one day, depending on the pension fund's investments, but it still represents an astonishing long-term risk to Michigan taxpayers. A key reason many legislators perpetuated this risk and opposed reform was "transition costs" — a forbiddingly technical objection perfectly amenable to our research.

To grasp the basic issue, assume you're young; you're earning \$3,000 per month; and your university treasurer calculates you have two ways to defray a big student debt. The first is to mail in a level percentage of each paycheck — say, 10 percent — every month for 30 years. The second is to mail in a level dollar amount — say, \$600 — every month for 30 years.

Each approach has advantages, depending on your needs and projections. One clear difference is that the level-percentage method, at \$300 per month, costs less at first (though more later if your wages grow).

Now consider pension reform. Currently, state taxpayers, through state government, are saving to provide pensions to every public school employee. Closing this costly system means future school hires would receive 401(k)-type accounts instead. Many state policymakers worry, however, that the

state would then have to switch from level-percentage to level-dollar payments on the \$22 billion debt for existing pensions and immediately spend more — a "transition cost." This shift, they assert, is required by the nonprofit Governmental Accounting Standards Board.

But James Hohman, our assistant director of fiscal policy, has pored over GASB publications and discovered that GASB itself doesn't argue this. Whatever the benefits of a level-dollar approach, GASB specifically states that its accounting rules are not "about acceptable public policy with regard to an employer's contributions to a pension plan." Policymakers can choose the payment schedule that makes sense.

Hohman further noted the irony that state officials have violated GASB standards for years by repeatedly contributing too little to the pension fund. Indeed, Gov. Snyder and the Legislature underfunded the school pension plan last year.

The state's pension mismanagement makes a hash of the 1963 Michigan Constitution. The framers labored hard to prevent pension underfunding — a fact Patrick J. Wright, our senior legal analyst, unearthed in a review of the state constitutional debates.

Again, research matters. It shows state leaders that their tunnel vision on transition costs weakens not just a pension trust, but the public trust as well. ■

Thomas A. Shull is the Mackinac Center's director of research quality.

THOMAS A. SHULL

Introducing ...

THE MACKINAC CENTER'S NEW VICE PRESIDENT OF ADVANCEMENT

Kris Palosaari



Issues and Ideas: Medicaid Expansion in Michigan

(Editor's Note: This issue of IMPACT went to press the same day as this event. All quotes from participants occurred before the event took place.)

Avik (pronounced O-vick) Roy, senior fellow with the Manhattan Institute, spoke at an Issues & Ideas forum at noon on April 18 in Lansing about the push under Obamacare to expand Medicaid in Michigan. The talk was held at the Michigan Restaurant Association headquarters.

"Michigan legislators are being pressured by everyone, from Gov. Snyder to the White House to lobbyists, to expand Medicaid," said Jack McHugh, senior legislative analyst. "Doing so would increase the program to 320,000 people by next year and more than 470,000 by 2021."

The White House has said the federal government will cover 100 percent of the cost for three years, then gradually reduce that amount until the state is on the hook for 10 percent of the cost starting in 2020. McHugh said a recent report from the Heritage Foundation indicates that such an expansion would cost Michigan taxpayers an additional \$1.3 billion by 2022.

If legislators do not expand Medicaid, eligible low-income families would still be able to get insurance through an Obamacare "exchange" that the federal government will set up and run in Michigan. Unlike the Medicaid expansion, 100 percent of that cost would come out of the federal budget.

What Roy and others warned about, and there is hard evidence of this occurring in other states, is that the projections for how many people will sign up for the expanded Medicaid program — particularly childless adults — are too low. McHugh said that means the projected "savings" from the first three years, when no state money is required, will not, as Gov. Snyder and others believe, be enough to cover the state's portion once it starts paying the full 10 percent in 2020.

Roy has also written at National Review Online that expanding Medicaid might actually harm those it is intended to help. The program reimburses doctors far less than private insurance companies do, meaning that fewer doctors are willing to accept Medicaid patients.

For more information and a video of the event, please see mackinac.org/18414.

Kristine Palosaari might be new to the free-market movement, but not to the ideas behind it.

Palosaari joined the Mackinac Center in March as vice president for advancement after holding development roles for a number of years at nonprofit organizations in the Grand Rapids area.

"I was raised with a free-market value system," Palosaari said. "My dad was a small business owner and he taught me that if you do something well it will allow you to be successful. That's what the free market is all about."

Palosaari said she came to the advancement field in a non-traditional way while working as the fitness instructor at the Grand Rapids YMCA. She was asked to join the development team to lend her knowledge of exercise equipment as part of several grant requests and a new career was born. From there she became a divisional development director for The Salvation Army and then development director for the Urban Institute of Contemporary Arts in Grand Rapids.

During that time she earned a Certification in Fund Raising Management from Indiana State University to go along with a bachelor's degree in graphic design from Kendall College of Art and Design and a

master's degree in organizational communication from Western Michigan University.

"Being successful at development is a long process of developing relationships," she said. "It's a lot like parenting — there are little victories along the way, but often it doesn't really come to fruition until down the road."

Palosaari also said it's important for people in the development field to be passionate about what they're raising money for.

"People who give to nonprofits are savvy," she said. "They don't want to feel as though you're just selling vacuum cleaners."

Drawing on her experiences growing up makes it easy for Palosaari to be passionate about the Center.

"My dad put a lot of subcontractors' children through college," she laughed. "When the market is successful, there's a ripple effect like that and everyone benefits. The Mackinac Center's work brings to light all of the barriers people face to that kind of success, and it's so eloquent and deeply researched. It's invaluable." ■





The New Civil Society

As free marketers, we understand the essential role of a civil society. It is ballast to a limited government, limited regulations, low imposition on citizens – when the government isn't telling you how to think and what to do, that responsibility suddenly resides in the citizens themselves. But civil society is too often a foreign concept to those unfamiliar with de Toqueville, Hayek, Bastiat and all others who have indicated the value of a sphere of private entrepreneurship and civilian affairs 'regulated' by voluntary associations and institutions.

The traditional ideas for what constitutes a civil society are more formal institutions, such as a church or a union, as well as the broadest interpretation, which is the family. But I would posit that the democratization of art has created another civil check on behavior – the books, movies and music that we seek out.

When I'm presented with a moral quandary, I think much faster of Dumbledore's advice in Rowling's Harry Potter, or Elinor Dashwood's advice in Austen's "Sense and Sensibility," or even Cliff Huxtable's advice in "The Cosby Show," far faster than I think of anything else. When Dumbledore says that "It is our choices, Harry, that show us who we really are far more than our abilities," that just sticks to my ribs.

Everyone has that favorite book, or movie, or TV show, which they feel obligated to tell everyone about and are offended when other people don't like it as much. Why does it feel so personal when someone else doesn't like it? Perhaps because it's teaching you more, and you're interacting with it more, than just "a simple story."

Back in 1996, the Mackinac Center's Michael LaFaive defined civil society as "That network of private groups,



Mad Men photo credit: Frank Ockenfels/AMC

community associations, religious organizations, families, friends, coworkers and their heartfelt interactions." If you're interacting with art – you choose what will guide you, first and foremost – then does it not belong on the list? It too is an informal institution that provides a check to your behavior and guides your actions in society.

When the idea of "civil society" is not available in elementary school, high school, undergraduate programs and many graduate programs, it's important to actively avoid a "culture-by-default." Whatever civil society is, it must be conscious.

It must be because it's very powerful. There's a scene in the TV series "Mad Men," which takes place in the 1960s, where to clean up after a picnic the mom airs out the picnic blanket. She scatters the trash everywhere in the field, and they proceed on their merry way. Nowadays that scene is strikingly foreign to viewers – and it's not because of some government program. We moderate ourselves now that we interpret that behavior as disrespectful to other picnickers as well as bad for the environment, and many people are doing it all the time, every day, making it more effective and long-lasting than a state-run program.

That's civil society at work, and it's not just theory. ■

BY THE NUMBERS Legislators' Pet Projects

Decrease in Michigan green jobs: **85,228** in 2010 to **82,644** in 2011.

Increase in total payroll employment in Michigan in the same period: **2.3 percent**

Since the Recession: Manufacturing jobs added: **110,300 (25.1 percent gain)** Private-sector service jobs: **158,200 (6.0 percent gain)**

\$39,767,000: The estimated incentive paid by Michigan taxpayers for the production of the movie Oz: The Great and Powerful

\$20,000,000: Estimated subsidy awarded to Transformers 4 from Michigan taxpayers

LESSON
No.1

How to navigate the Mackinac Center's HEADLINES app.



Whether at home or on the go, use the Headlines app to help keep up on the issues you care about!

2



Tap the menu item to filter specific stories.



You can also swipe to the left or right to navigate the menu items.

1

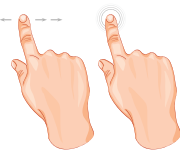


Tap the arrow (there's one on both ends of this menu) to filter the Mackinac Center's specialties.

Your choices are:

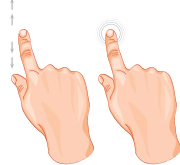
- ALL
- MACKINAC CENTER
- BLOG
- CAPITOL CONFIDENTIAL
- LABOR
- EDUCATION

3



This is our Feature area. Swipe to see all our features and then tap one to see it in the viewing area.

4



This is the Viewing area. Swipe up and down to see all the headlines you've chosen from the menu up top. Tap the headline to read the article.

