

IMPACT



THE UNION'S MISEDUCATION OF MICHIGAN TEACHERS

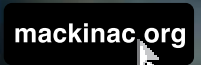
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NOTABLES & QUOTABLES



Water Stop At The Marathon

After the drastic government expansions of 2013, many looked to 2014 with the attitude of a marathon runner, catching their breath. But with Mackinac, it's full-speed ahead. This is a race we don't mean to lose.

Of top priority in Michigan is Detroit: Will the government bail it out or won't it? The important thing to remember is that Detroit didn't become great through a bail-out in the first place – it became great by taking advantage of its unique situation, making industry attractive and lessening the load on young entrepreneurs. I explore some of the cultural roadblocks facing forward motion in Detroit in this issue's Cultural Pitstop (Page 15). Of equal significance, and greater immediacy, is the state of public schools in Detroit. This issue's Overton Window explores Mackinac's history supporting "Schools of Choice," an important component of the increasingly popular school choice policy (Page 9). Detroit is a machine with many cogs, and all policy departments are researching solutions to get it moving once more.

Of course, public education is not solely in need of reform for some Michiganders. Across the state, the Michigan Education Association (MEA) has practiced bad education with teachers when it comes to their right-to-work rights. The Mackinac Center Legal Foundation is defending more and more teachers who wish to opt-out of the

union but have been trapped and coerced into continuing to pay full union dues through the "August Window" (Page 10). What's worse? Many of these public school teachers have experienced backlash from unionists at their school, and during school hours. The focus must remain on education, for teachers, students and parents' sakes.

Defending these standard obligations of government has become more and more time-consuming, as President Joseph G. Lehman elaborates on in his President's Letter (Page 4). Since our First Amendment legal victory over the MEA in 2004, the battle over free speech has become more demanding. Whether it's the IRS targeting nonpartisan groups as political, or its secret investigations taken against those in favor of fiscal reform in Wisconsin, the opposition is willing to fight dirty. But with supporters like you, we have the tools to fight clean, and to keep fighting.

Most importantly, our task is to clarify what we're all fighting for: Better schools; functioning roads; the ability to open a business and keep it open. In short, what makes America different, and what makes so many people want to move here. We're hoping that with diligence and vigilance, you can have the life you want to live, too.

All best,

Lindsey, editor

 DAN ARMSTRONG, MARKETING AND COMMUNICATIONS TEAM LEADER, RECOMMENDS "MONSTERS UNIVERSITY"

Movies have a habit of being predictable — that's why I found the detours taken by "Monsters University" so refreshing. Mike Wazowski is a small, one-eyed monster that works tirelessly for average achievement in the field of scaring, while his friend James P. Sullivan is a big, lazy, unmotivated monster that scares at a high level with natural talent and minimal effort. Despite working harder than Sully, Mike is unable to reach Sully's scaring skill level. Rather than a technicality or sympathy changing this fact, Mike learns to recognize his personal strengths and limitations. This eventually leads him to discover his true calling: Coaching. Yet after being caught in unethical behavior, both Mike and Sully are kicked out of college. Both have to learn a hard life lesson, and they work hard to eventually land jobs at Monsters Inc. This is a great family-friendly movie where choice truly has consequence.

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WHAT FOLKS ARE SAYING ABOUT THE MACKINAC CENTER

"Rarely agree w/ @MackinacCenter, but they're right: MT 'Westland eliminates \$5 charge, reduces copy costs after suit'"

— Mark Brewer, Former Chair of Michigan Democratic Party





Joseph G. Lehman

Defending Free Speech

Ten years ago, we achieved a major First-Amendment legal victory over the Michigan Education Association.

In 2001, the MEA's then-president Luigi Battaglieri told reporters, "Frankly, I admire what they [the Mackinac Center] have done," referring to our ability to put our research into lawmakers' hands. Then he sued us after we quoted him in news and fundraising letters. He demanded that we give the union our mailing lists and stop repeating his news conference remarks.

The MEA's tack mimicked that of southern segregationists in the 1950s, who demanded that the NAACP reveal its membership lists so that members could more easily be identified, harassed and intimidated. The U.S. Supreme Court ruled this would be a bad idea, and that the NAACP's members had a right to privacy.

In 2004, a three-judge panel of the Michigan Court of Appeals supported this reasoning by unanimous rule: The union was not entitled to our mailing lists, nor could it prevent us from repeating its president's public pronouncements.

Those rulings stand, but our opponents are trying new ways to silence us.

- Michigan Congressman Sander Levin formally asked the IRS to investigate the Mackinac Center for imagined lobbying misdeeds. Later, we learned that government officials had used the IRS at the same time to obstruct groups devoted to free markets. No journalist covering Rep. Levin's request asked if he routinely requests IRS investigations, or if he singled us out.
- The Left recently popularized the term "dark money" to refer to private, voluntary contributions to "social welfare" and charitable groups that promote ideas they believe will improve society. Multiple news outlets reliably

repeated the phrase, making noble citizen generosity sound sinister.

- New IRS rules would redefine as "political" certain nonpartisan speech and activities routinely pursued by 501(c)(4) tax-designated groups.

The change would likely reduce support for citizen engagement and education. While the Mackinac Center isn't one of those groups, I believe our kind of organization may be the next target.

- Baseless accusations are now chronic. Charges of "tax fraud" and illegal lobbying too often need no substantiation, but are repeated by professional journalists.
- Government officials undertook secret investigations against citizens engaged in routine political activity in favor of important labor and fiscal reforms in Wisconsin. (Our friend Eric O'Keefe, a man who has aided good reforms in Michigan and elsewhere, risks retaliation by fighting back, as The Wall Street Journal recently reported.)
- New progressive groups launched simultaneous, multi-state attacks on think tanks, including the Mackinac Center. Their purpose? To delegitimize activities such as presenting economic research to policymakers. They issued sloppy, plagiarism-ridden attacks on us. Yet outlet after outlet credulously republished the stolen words and ideas as original.

All of this has one, simple purpose: Silence us by scaring away supporters and making people doubt our credibility.

They try to squelch our voice while their friends compel millions of workers to fund unions' political speech. (Our labor policy work helps to correct that injustice.)

Defending free speech wasn't one of the original main purposes of the Mackinac Center, but it's become a cost of doing business. ■

JOSEPH G. LEHMAN

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Mackinac Moment: Events Update

A capacity crowd – including several members and employees of the Michigan Public Service Commission and legislators – helped kick off the Center’s 2014 event schedule at an Issues & Ideas forum Jan. 22 that discussed electricity competition.

The speaker, Dr. Ted Bolema, explained that since the state returned the monopoly on electricity sales in 2008 to Consumers Energy and DTE Energy, Michigan has had the highest electricity rates in the Great Lakes Region and the highest in the country for any state that gets more than half its energy from coal.

Only about 10,000 customers in Michigan now have the option to switch suppliers, and another 12,000 are on a waiting list. Bolema, an adjunct scholar at the Mackinac Center, dismissed several myths about energy choice during his talk, explaining that states that have introduced more choice have seen rates go down.

House Bill 5148, introduced last December, would remove the cap and allow more customers to pick their energy supplier.

Bolema’s policy brief, “Electricity Choice Policies in Michigan,” is at mackinac.org/19316.

The Center also hosted a celebration during National School Choice Week at the end of January that featured a screening of the short documentary “The Ticket: The Many Faces of School Choice.”

Panelists included Bob Bowdon, producer of “The Ticket;” Clark Durant, co-founder of Cornerstone Schools; and J.C. Huizenga, a Mackinac Center board member and founder of National Heritage Academies. The discussion included the benefits of different, emerging models of education options, including charter public schools, vouchers and online learning.

A recent study by Audrey Spalding, director of education policy, found that about 100,000 students participate in the state’s Schools of Choice program, which allows them to attend a school in a district other than the one government has assigned them to. Participation has increased

144 percent in the last decade and students generally attend a school with higher test scores and higher graduation rates than the one they left.

The Center closed out its 2013 event calendar with an Issues & Ideas forum focusing on a study co-authored by Executive Vice President Michael J. Reitz dealing with criminal intent in Michigan law.

Reitz suggested that the Legislature adopt a provision that would apply to all statutes that fail to clearly define the criminal intent required for a misdemeanor or felony conviction.

“Conviction of a crime traditionally requires a combination of a wrongful act and criminal intent,” Reitz explained. “But more and more Congress and state legislatures are using the criminal code for regulatory purposes.”

Reitz noted that public welfare offenses – which generally govern behavior – are commonly covered by statutes that do not have intent provisions.

Just one example: in some instances it is illegal for a person or a corporation to buy or sell a new or used vehicle on Sunday. ■



Paul J. Larkin Jr. of the Heritage Foundation



Dr. Ted Bolema



Scan this code to watch a replay of Ted Bolema’s talk on expanding the electricity market.



Scan this code to watch a replay of the Issues and Ideas event on the topic of criminal intent in Michigan law.





From left to right:
Max Holman, Scott L. Holman,
Scott S. Holman, Jason Holman.

The Mackinac Center for Public Policy is funded solely by freedom-loving individuals and organizations that find value in its conviction of free-market principles. For this issue of IMPACT, we hear from Scott L. Holman.

He was elected chair of the Michigan Chamber of Commerce Board of Directors for 2014.

MCPP: Where are you from?

Scott Holman: I was born and raised in Ishpeming, Michigan, which is in the Upper Peninsula. I spend six months of the year there. I was a student at Northern Michigan University. Twenty-three of my family members are graduates of NMU. I served on NMU's Board of Trustees.

MCPP: What's your outlook on life?

Holman: I've always believed in partnering and providing value for people. I was the first person in the U.P. to have a SCUBA dive shop. I enjoyed diving, and had to find a way to support my hobby and also pay for school. Since there was not a big interest in diving, I created my own market and introduced people to the activity. I would take people out on dives to give them a taste for it, and then they got hooked. The shop was in Marquette. I called it the Lake Superior Skin Diving Company.

Whenever I've had to fill out a form that asked what my occupation was, I would always write "entrepreneur." My dad was a dentist in Ishpeming and at first looked down on all of my ideas. He thought that if you weren't working, you weren't making money. But I found ways of working smarter and harder. [laughs] My dad finally warmed up to my ideas when I became successful. I stayed close to home as a kid and adopted a deep conviction for family values and principles.

MCPP: Tell us about your family.

Holman: My wife Martine and I met in the U.P. in 1965. She is from Paris, France. We celebrate 48 years of marriage this year. She didn't speak English and I didn't speak French, but we both had taken Spanish, so we spoke that at first.

I have three sons: Scott, Max and Jason. I also have nine grandchildren. I've instilled the value of hard work into all of them.

My sons would work around the BayCast facility in Bay City when they were young. They would mow the lawn and do other small tasks. They never complained. They wanted to work. I never pushed them to follow in my footsteps, but they wanted to.

I eventually sold the business to them. I did not give it to them, mind you. I sold it to them. They did their homework, too. They made sure that the price they paid for it made sense. That made me proud. They're common-sense smart and business smart. After I sold it to them, I got out of their way and they're doing a great job.

MCPP: How did you end up owning BayCast?

Holman: That's a great question and there's a great story that goes with it. Would you believe that I never borrowed a penny from the bank or from a private investor for that? I couldn't. Nobody believed I could turn around the former Bay City Foundry that

had been in the red for quite a while. But that created an opportunity for me. After being turned down initially, I offered \$148,000 to finish the work that was already in process, acquire the raw materials, and the equipment to do the job. They rest, as they say, is history. That story helped me become Inc. Magazine's Turnaround Entrepreneur Award winner for 1991.

MCPP: What value do you find in the Mackinac Center?

Holman: I've been fond of the Mackinac Center since it started. I knew Larry Reed and Joe Overton. The Mackinac Center brings the research needed to find out what works. Public policy is everything.

I remember in 2008 when a Mackinac Center intern discovered the Reform Michigan Government Now ballot proposal that would have hijacked the Michigan Constitution to favor one political party.

MCPP: Why have you stayed in Michigan?

Holman: I've been all over the world. I've spoken in Russia to business leaders. I took down a piece of the Berlin wall with a hammer and chisel. I've had many wonderful experiences across the globe, but nothing compares to Michigan. Its natural resources and beauty is in a class by itself. There's nowhere in the world I'd rather be. ■

AND THE AWARD GOES TO ... LIBERTY FOR ALL

The Mackinac Center was honored to be one of six finalists for the 2013 Templeton Freedom Award, an annual prize given out by the Atlas Network that recognizes exceptional achievement in the global free-market think tank community. The Center was nominated for our role in Michigan becoming the nation's 24th right-to-work state.

TED O'NEIL

The Atlas Network was created by Sir Antony Fisher and serves a network of some 400 free-market think tanks in 80 countries. Fisher, often called "the Johnny Appleseed of the free-market movement," also founded the Institute of Economic Affairs in London, the Fraser Institute in Canada and the Manhattan Institute in New York City.

Fisher was moved to his work after, as a young RAF pilot in World War II he read F.A. Hayek's "The Road to Serfdom." He later was talked out of going into politics by Hayek. Instead the Nobel laureate told Fisher that society's course would be changed by ideas.

The Templeton Award is given each November by the Atlas Foundation at its Liberty Forum and Freedom Dinner.

As Executive Vice President Michael J. Reitz detailed in the last edition of IMPACT, the other finalists were:

The Centre for Civil Society in India was founded by Parth Shah in 1997 after he left a job at the University of Michigan to return to his native India. CCS leads the charge for education reform in India by promoting choice and innovation. Shah also attended the Mackinac Center's Leadership Conference.

The Centro de Investigación para el Desarrollo, A.C., in Mexico was recognized for advancing policies to improve Mexico's prosperity and productivity. Its Mexico Productivity Index is credited with influencing the national discussion about Mexico's economic policies.

The Istituto Bruno Leoni, named after the Italian classical liberal thinker, is celebrating its 10-year anniversary. Its Liberalization Index annually ranks Italy and other European countries by comparing 16 sectors and evaluating the cost of excessive regulation, taxation and legal uncertainty.

The Texas Public Policy Foundation for its Right on Crime project, which promotes alternatives to incarceration for non-violent offenders and exposes the problem of over-criminalization in the U.S.

If Great Britain has a Tea Party movement, the TaxPayers' Alliance in London is a ringleader. Launched in 2004, the TaxPayers' Alliance is "arguably the most influential pressure group in the country" according to one British newspaper. The organization's 2020 Tax Commission and Single Income Tax report are credited with reductions in levies and driving conversation about fiscal reform.

The panel of international judges ultimately gave the award to the TaxPayers' Alliance, although during the ceremony as each finalist was introduced the Center received by far the loudest reception.

As President Joseph G. Lehman left the stage with the other finalists that night, he was greeted by Labor Policy Director F. Vincent Vernuccio with a high-five and a hearty "Joe, this only proves Mackinac hasn't peaked yet!" ■

Ted P. O'Neil is the Mackinac Center's media relations manager.



A LEGISLATIVE AGENDA FOR 2014

Good policy is good politics. After accomplishing so much in 2011 and 2012 to move Michigan forward, progress nearly sputtered to a halt in 2013. Here's how to get back on track.

– Pass a broad-based marginal rate income tax cut. This is an incentive-changing reform that will lead to more jobs, higher incomes and a growing, more competitive state economy.

– Repeal the state Prevailing Wage law that prohibits granting government construction contracts to the lowest bidder if a contractor is not unionized.

– Finish the job on “personal property taxes” by putting a stake in the heart of this absurd levy on business tools and equipment. Even after parts of it are phased-out under the recent reform law, the tax will remain a burden on many commercial firms. (Phase-outs are OK, but at the end the tax should be deader than the Dodo for all businesses, regardless of size or type.)

– Stop pretending that spending more on conventional public schools leads to better educational outcomes for children. The evidence shows that it does not. Instead, fund innovative alternatives including on-line education and greater parental choice.

– Repeal Michigan's minimum wage law, don't increase it. As Michael LaFaive put it, the only true “minimum” wage is zero – which is what many more low-skill workers will get if the mandated minimum is increased.

– End corporate welfare handouts. So called “economic development” programs are in fact just “political development” programs that benefit politicians and a handful of lucky “winner” firms, while doing nothing to grow the state economy or increase the total number of jobs.

– Repeal the Obamacare Medicaid expansion. Instead, join with other states to press for the federal government to “block grant” the program with no strings attached to the 50 state laboratories of democracy. Let states create sustainable low-income health care systems that actually work for the beneficiaries and their people of their states.

– Repeal the racket known as the “three tier” alcohol distribution system, which redistributes tens of millions of dollars from the consumer tier to a tiny, rolling-in-dough special interest tier. Prohibition ended 80 years ago – it's past time to end Michigan's “transition” out of it.

– “Raise” Gov. Rick Snyder's bid to cut \$25 million out of wealth redistributions from Michigan taxpayers to film producers by making the total cut \$50 million. In other words, zero-out this bizarre form of reverse-Robin Hoodism.

For a complete list of recommendations, please see www.mackinac.org/19700 ■



CRYPTOCURRENCY

Much has been made about cryptocurrency – that is, online currency. Using peer-to-peer currency, these cryptocurrencies operate with no central authority or banks. Various currencies include bitcoins and dogecoins, and it's not just libertarians talking about it – CNN and Forbes are reporting on it now as well. Here are some building-block interviews and articles to understand this rapidly more talked-about issue!

Bitcorati Interview Series with Jeffrey Tucker, CEO of Liberty.me

(<http://goo.gl/02iTGh>)

Former Vice President of the Mises Institute, Jeffrey Tucker, discusses how bitcoins are not just another payment system, like PayPal, but rather an organic currency employed powered by free markets and a viable alternative to nationalized money. “It's a bottom-up solution, not a top-down solution,” says Tucker.

Wired Magazine: Homeless, Unemployed, and Surviving on Bitcoins

(<http://goo.gl/UDJcq4>)

Jesse Angle, a homeless man in Pensacola, earns bitcoins online to pay for a meal each day. He prefers it to regular money because there's less concern about being robbed. While proponents of Bitcoin articulate the connection between charity and direct donation, U.S. regulators are beginning to clamp down on this cryptocurrency.

CNN Money: Bitcoin Is Under Siege

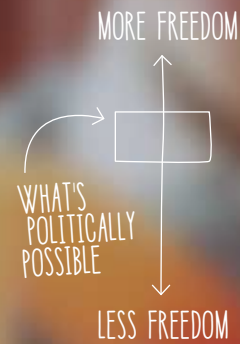
(<http://goo.gl/ZYoaps>)

This stateless, digital currency can't shake off the image that it's unstable, unproven and largely still an experiment. Russia has outlawed all cryptocurrency, while other governments try to figure out their approach. Businesses don't know whether to accept Bitcoin as payment or not.

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.

For decades, public school students in Michigan were assigned to a public school based on their ZIP code. Students stuck in substandard schools had few alternatives and excellent schools were essentially closed off to students who had the wrong address. Educational options have expanded since then; the "Schools of Choice" program allows students to migrate to a public school outside their district.



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.

2013

2013: Mackinac Center Education Policy Director Audrey Spalding published a study that analyzed student participation in Schools of Choice. The study found that during the 2011-12 school year, nearly 100,000 K-12 students participated – more than double the number of students 10 years ago. The study also found that students generally transfer to districts with higher graduation rates, higher test scores and lower dropout rates.

2011

2011: Gov. Rick Snyder called for requiring school districts to participate in Schools of Choice. "Providing open access to a quality education without boundaries is essential. No longer should school districts be allowed to opt out from accepting out-of-district students." The state began to financially incentivize public school participation in Schools of Choice.

2000

2000: School districts retained the option of participating in Schools of Choice. In a report published by the Mackinac Center, Matthew Ladner and Matthew Brouillette criticized school districts for limiting the program's potential positive effect: "The public 'schools-of-choice' program has had very limited impact on school districts, primarily because only those districts that wish to participate do so. The ability of districts to restrict competition severely limits the good it might otherwise do."

1999

1999: Public Act 119 expanded Schools of Choice by allowing state aid to follow students who transferred to a local district within a contiguous ISD – significantly expanding the number of local school districts a student could choose to attend. For the 1999-2000 school year, 17,440 students used SOC.

1996

1996: Public Act 300 created the opportunity for students to transfer to a new school district within the student's resident intermediate school district (ISDs are typically county-wide, and surround several local school districts), with the state funding following the student. The law removed the requirement that the resident district approve a student's transfer. In the program's first year, 5,611 students attended a school in a nonresident district.

Find out more about the Overton Window at mackinac.org/overtonwindow



THE UNION'S MISEDUCATION OF MICHIGAN TEACHERS

Teachers Trapped by MEA Testify

When questioned in December by a Michigan Senate Committee about whether the Michigan Education Association has a fiduciary duty to its members, MEA Spokesperson Doug Pratt said, "In general? Yes."

According to the dictionary, fiduciary duty includes the responsibility of good faith, candor, confidence and trust. Pratt says he fulfilled those duties of letting teachers know about the "August Window" through the union's bylaws, membership form, website, and communications with local unions.

However, many teachers, including those with more than 30-years of service, say they have never heard of it.

That is the essence, in part, of the complaints facing the Michigan Education Association. In October, the Mackinac Center Legal Foundation

filed the unfair labor practice and duty of fair representation charges on behalf of seven Michigan public school teachers and a paraeducator.

These public school employees were denied their rights under Michigan's Freedom to Work law because they failed to notify the MEA of their intention to leave the union during the month of August, the only month that the MEA claims it will take resignations. Despite the passage of right-to-work legislation, which opened up new choices for public school employees (and other unionized employees), the MEA did almost nothing to make its members aware of this August window until September.

This effectively locked unsuspecting teachers into another year of dues. To put this in context, in the last fiscal year, the MEA collected around \$64 million in dues and collected another

\$69 million from other sources.

The "window" is part of the MEA's bylaws that were created 40 years ago. The window limitations on withdrawal had been upheld in the context of agency fee payers in a 2004 Michigan Employment Relations Commission decision. Before the passage of right-to-work,

teachers could opt out of the union but had to pay an "agency fee" to the union. If teachers wanted to be agency payers they had to inform the union in the month of August. Opting out, however, was not common. Agency fees are about 80 percent of dues, according to the MEA, and teachers often thought the deal was not worth it.

Despite the 2004 MERC decision and the mention of the August Window in the bylaws, many of the MEA's 113,151 voting members had no clue about the process of leaving the union. The Mackinac Center Legal Foundation's actions triggered the creation of the Senate Committee on Compliance and Accountability, which held hearings on the MEA's actions related to the August window. At one of these hearings, State Senator Jack Brandenburg indicated that not a single one of the 15 teachers he contacted about the subject was aware of this August resignation window.

The MEA has taken the position that ignorance is no defense. It has claimed that the information can be obtained on its website (although a search for "resign," "resignation," and "August window" on MEA.org does not bring up the relevant page) and that it is in the contract that teachers signed when they were originally hired.

Senator Arlan Meekhof is Chairman of the Committee on Compliance and Accountability. He asked Doug Pratt, the MEA's temporary director of member benefits, if the union had a fiduciary duty to explain to members the existence of a window. After all, members pay dues in good



Miriam Chanski (left), a Coopersville kindergarten teacher, and Patrick Wright (right), senior legislative analyst, testify for the Michigan Senate Committee on Compliance and Accountability. The video of this testimony can be seen at goo.gl/QVGF7e.

faith that the union will protect their individual interest. Meekhof read Black's Law Dictionary's definition of the word "fiduciary."

"In general? Uh, yes. We have an obligation to represent them. We have an obligation to support them and to fulfill our end to provide contractual service, yes," responded Pratt.

"So in that sort of definition under fiduciary duty in the dictionary, you owe them the responsibility of candor, good faith, confidence. Do you think you fulfilled those duties?" asked Meekoff.

"Yes, I do. I believe our membership form, our bylaws on the website, our communication with our locals, [sic] I believe we did," Pratt said.

Teachers have a different recollection. Miriam Chanski, a young kindergarten teacher in the Coopersville school district, informed her local union that she wanted to end her membership in June. Her decision was sparked by a state policy that ended the practice of public school districts deducting dues from paychecks themselves – rather, the union went around with an "E-dues/PAC authorization form," wherein it sought to have school employees give the union access to their bank account or credit cards for dues withdrawals. It was the access to her bank account that triggered Chanski's consideration of right-to-work.

"I did not feel comfortable putting that information on a form and handing it in," says Chanski. Given that there was no option to withdraw from the union on the form, she handwrote her

intention on her "E-Dues" form, put it in an envelope and delivered it to the union representative in June.

In July, Chanski received a letter from the MEA Uniserv Director, Krista Abbott, which stated that she received the incomplete form with Chanski's note of her intent to opt out.

"I would like to discuss this matter with you further. If it is your intent to 'opt out' of paying dues, there is a specific procedure that must be followed to do so," wrote Abbott.

Since that procedural information was not included in the letter, Chanski called immediately. Unfortunately, she was told that Abbott was out. Chanski began a summer job the following day to supplement her teaching salary and "figured this was part of a game." She was not called back with further information.

Thus it was a shock when she was told she still owed dues in September. It was then that Chanski received full notification from the union of the August window. Chanski contacted the Mackinac Center for Public Policy and asked for help.

Filing a complaint against the MEA was a bold step for a second year teacher. Chanski knew this could be a sensitive issue; she did not want to cause disruption at work and grew worried about repercussions from the union. Already, a union representative had suggested that her credit rating would suffer if she did not pay full dues.

Chanski decided to go forward with her claim because she felt she had to stand

up for what was right. She knew other teachers who were afraid of opting out and she felt like she had to represent them, too. In fact, however, she was not alone.

The Mackinac Center Legal Foundation last October filed unfair labor practice complaints on behalf of Chanski, William "Ray" Arthur, Matthew Knapp, Kurt Alliton, Susan Romska, Jason LaPorte and Kathy Eady-Miskiewicz. The media responded with vigor and outlets picked up the story.

The issue became a favored topic on public affairs programming. There were extensive radio interviews and appearances on Michigan Television stations. The Grand Rapids Press, Detroit News, Detroit Free Press, Saginaw News, Grand Haven Tribune, Petoskey News-Review, Interlochen Public Radio, WDIV and Fox 2 all covered the filings. This extensive coverage, both local and state-wide, was likely key to the creation of the Senate committee.

By simply informing teachers of the "August Window," the MEA could have saved itself a lot of headache and backlash. It may have even convinced teachers to stay with the union by being completely upfront with them. But it chose to withhold some information from them.

Rather than choosing power over principle and money over members, the MEA should return to its "customer accountability" – and right-to-work is the first step in ensuring they do. ■



DETROIT SHOULD LOOK TO PONTIAC

BY MICHAEL D. LAFAIVE

Extra! Extra! How do you solve a problem like Detroit? First, says Michael D. LaFaive, director of the Morey Fiscal Policy Initiative, look to Pontiac. When cities are in financial straits, privatizing city functions to improve service and cut costs is a great place to start. Detroit and Pontiac face unique challenges and hold varied assets, but the way to fiscal stability is putting the taxpayers first.

THE PEOPLE OF DETROIT, INCLUDING its retirees and bondholders, are justifiably nervous about how the city's bankruptcy will disturb their bottom lines.

Kevyn Orr, Detroit's emergency manager, has taken sound steps to fix Detroit's financial fundamentals through spending cuts, management fixes and asset sales, but bolder action is required to protect citizens and improve public services.

To do so, Detroit should look to the city of Pontiac, whose revolutionized government has recovered decades of lost fiscal ground through sound economic reform.

In the last four years, two governors appointed three emergency managers for the city of Pontiac. Lou Schimmel, the third EM appointed in the city, completed his tenure in August. Schimmel worked under laws that gave him far more power far longer than previous EMs, which made it easier to make important fiscal changes and improve services, too.

When the state began appointing EMs in 2009, Pontiac's 2008 audited General Fund budget was \$54.2 million. By the time Schimmel took over in 2011, it had dropped to \$42 million. His efforts lowered that figure again for fiscal 2013 to an audited budget projected to be just \$30.6 million; a total decline of 43.5 percent.

Schimmel sold off and monetized other assets to reduce debt and avoid a court imposed property tax increase. Some of the sales included (\$55 million) for unused water and sewer capacity; a city-owned theatre (\$135,000); a golf course (\$700,000); old public works equipment (\$1.5 million) and assorted vacant lots. Most of the sold property now produce tax revenue for the city. Schimmel previously was director of municipal finance at the Mackinac Center.

Public safety was improved through competitive contracting of police, fire, 911-dispatch and ambulance services. The contract for policing with Oakland County and fire with Waterford Twp. is saving \$5.8 million each year while improving response times.

According to Undersheriff Michael McCabe of the Oakland County Sheriff's office, police response times in Pontiac plummeted from longer than 76 minutes in 2010 to 6 minutes, 22 seconds in 2013. There are 25 more police officers patrolling Pontiac now, too. Waterford has also invested \$548,000 from its own resources improving Pontiac fire stations, according to Fire Chief Ron Spears.

The city of Pontiac now also is contracting out for trash collection, cemetery management, insurance administration, animal control, street light maintenance and more. In effect, Schimmel has turned Pontiac into a contract city, where most services are provided under contract instead of through city staff. Since fiscal year 2009, official city employment dropped from 495 to a proposed 20, excluding district court employees.

Detroit presents unique challenges and implementing all of Pontiac's reforms may not be possible, but it is worth exploring. After all, Detroit has unique opportunities, too, such as its great location, access to engineering talent, history, generous foundations and saleable assets.

So what would the savings look like in Detroit if they shaved the budget like in Pontiac? If Kevyn Orr, through aggressive asset sales, competitive contracting and ending unnecessary services, could reduce the city's \$1.1 billion general fund spending by 43.5 percent, the city would save \$478.5 million.

The city dedicated \$461.6 million to debt service and pension contributions in 2012, according to Orr's 2013 Proposal to Creditors. In other words, the savings listed above would cover recent costs, at least theoretically. The total costs for pensions and creditors are scheduled to grow, but that increase could be offset with proceeds from asset sales, especially over time.

Pontiac's reforms cannot simply be superimposed on Detroit, and Orr may well be prepared to sell assets and contract out. But by adopting Pontiac's strategy to analyze the city's unique opportunities for privatizing potential tax revenue, as well as dousing waste and neglect, Orr can help leave no stone unturned in revitalizing the city.

Orr's report to creditors listed the possibility of selling some city assets such as parking garages, but more could be done. The sale of Belle Isle alone could have generated hundreds of millions to the city if only the idea had been taken up. Competitive contracting needs to be done more aggressively, too.

To Orr's credit, his team has negotiated a new collective bargaining agreement with Detroit's emergency medical (ambulance) services. Why not just contract out with a private vendor as is now done in Pontiac? There does not seem to be an interest in intergovernmental contracting for police or fire services, either, but these could represent tremendous areas for saving.

Pontiac isn't far away from Detroit geographically. It shouldn't be so distant on Detroit's reform idea agenda either. ■

Read the 2013 study online at <http://www.mackinac.org/archives/2013/s2013-08.pdf>

BENEFITS IN BALANCE

Michigan's economy is finally recovering after a recession that lasted nearly a decade and the Great Recession stacked on top of that. It wasn't just the state's job situation that's been drastically changed. Michigan's government workforce has changed a lot, too. Unfortunately, it's developed a problem with benefits compensation that is unaffordable in the long run. Fixing this problem can save Michigan's governments and its taxpayers billions.

From 2000 to 2010, Michigan's state and local government employment workforce fell by 42,700 jobs, losing one out of every 15 state and local government jobs. Despite this drop in the number of government employees, the costs of their services have increased substantially. According to the Bureau of Economic Analysis, they now cost 33 percent more in that same time period.

It's not salary that's to blame; it's benefits. While the costs for salary have kept pace with inflation, the cost of benefits increased substantially.

Meanwhile, the private sector faced the same cost drivers as the public sector — higher premiums for health insurance and more demands for retirement contributions being some of the key drivers. Private-sector employers have met the challenge by implementing consumer-driven health care plans and transitioning from underfunded pension systems to defined-contribution retirement systems.

Bringing benefits in Michigan's state and local government workforce in line with private-sector averages can save the state \$5.8 billion.

Michigan policymakers have already done some things to try to bring benefits in line with private-sector averages. Perhaps the most substantial was passing the 80-20 law, which requires Michigan's subsidiary governments to require that employees share at least 20 percent of their health insurance premium or cap employer costs for employee health insurance at rates roughly equivalent to private-sector costs. This law will take a while to implement as Michigan's largely unionized public sector's collective bargaining agreements expire.

The state also incentivized schools and local governments to approach this issue themselves.

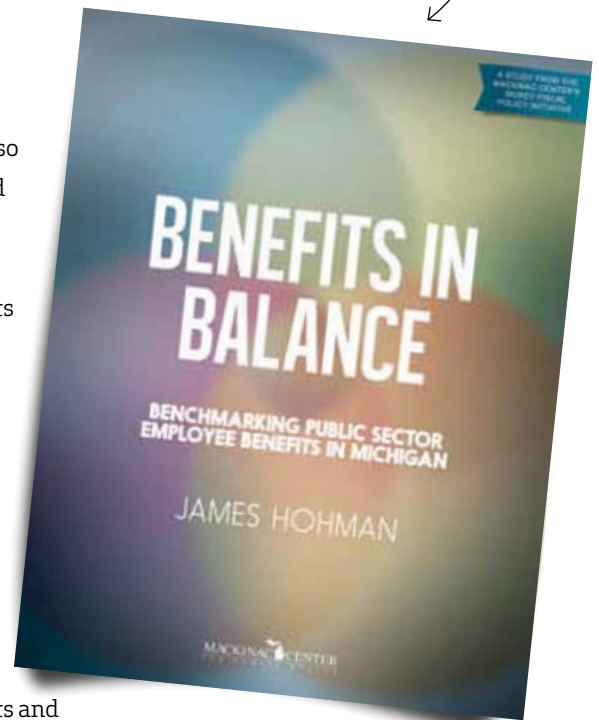
The state offered boosts in revenue-sharing to local governments and state aid to schools that start to benchmark retirement and insurance benefits to the private-sector.

The study highlights some more options for legislators to tap into savings. One of the major ways to tap into these savings is to close the school retirement plan and offer new employees a defined-contribution retirement plan. The state has already become a national model by closing its state employee system in 1996 and should do the same here.

Even though each level of government is different, they are all experiencing problems in the costs of employee benefits. Instead of attempting to mandate and benchmark selective benefits by statute, a constitutional proposal that requires private-sector benchmarking would ensure that the issue gets resolved.

It would also do a lot to slow the government cost spiral that's been demanding more and more taxpayer resources to cover the same level of government. ■

James Hohman is the Mackinac Center's assistant director of fiscal policy.



JAMES HOHMAN



BE CAREFUL WHAT THEY WISH FOR: BREWERS & GOVERNMENT RESTRICTIONS

With a slew of bills, the Michigan Legislature is moving slightly in the direction of more freedom for beer drinkers. But, with the backing of some Michigan brewers, the Senate voted to codify ridiculous rules that try to pick winners and losers in the marketplace.

JARRETT SKORUP

When politicians are considering a bill that would criminalize bars and restaurants receiving products with logos on them, it is easy to understand the cynicism of politics.

For example, a Michigan Liquor Control Commission rule from the Prohibition Era prevents bars and restaurants from having glasses or napkins with logos on them. The MLCC is repealing the rule, but Senate Bill 505 – which passed the Senate and now sits in the House – ensures that alcohol manufacturers, sellers and distributors could not give bars and restaurants items that promote their brands. The bill is causing a hang-up since it is “tie-barred” to other legislation – meaning all or none become law – and many

House members are not ready to accept the restrictions.

The Michigan Beer and Wine Wholesalers Association, which represents many craft brewers, supports the rule. The group believes competing manufacturers could provide free items, possibly in exchange for prime tap space, and

crowd out craft brewers.

Here’s why that’s silly: if people weren’t able to freely enter into whatever types of agreements they wanted, Sam’s Club

couldn’t offer free samples of food from manufacturers’ products; diners couldn’t develop brand loyalty to Pepsi or Coca Cola; stores couldn’t offer coupons for certain products and no one would get free merchandise on New Year’s Eve.

If craft brewers want to work out their own deals, they should do so. That’s how competition in the marketplace works, and it means cheaper and better products for consumers.

Michigan has the strongest prohibitions on logoed items in the nation, which upsets some restaurants and bars.

“Apparently free market principles and the elimination of frivolous government intrusion are no longer priorities of Senate Republicans,” Brian DeBano, president and CEO of the Michigan Restaurant Association, told the AP. “I will be sure to consult with the caucus the next time my members want to change ketchup brands to make sure they approve.”

It’s particularly disappointing to see the beer and wine wholesalers association working for select restrictions on their competitors, considering they have long been the losers in Michigan’s complicated and unnecessary alcohol regulation regime.

Brewers and establishments of all sizes should be aware of one of former Mackinac Center President Larry Reed’s Seven Principles of Sound Public Policy: “[A] government that’s big enough to give you everything you want is big enough to take away everything you’ve got.” ■

Jarrett Skorup is research associate for the Mackinac Center.



The Human Side of Detroit Bailout

My family on my dad's side hails from downriver Detroit going decades back. The epithet "downriver rats" is not unknown to us, and my great-grandfather was once described as "the poorest dirt-farmer in the state" — by those who loved him best, of course. This history drifts further and further into the past as each of us capitalizes on the American Dream one step more than our predecessors. It would have baffled that same great-grandfather with how many teachers our family now holds, considering he had no more than an eighth-grade education.

Of course, too many of us have had to leave Detroit to make that dream possible. The ones who stayed, however, are fighting for it. More than that, we're fighting for ourselves, and the city that once made that possible.

This does not mean a return to some mythical past, because Detroit's problems originated long ago. It means capitalizing on Detroit's unique opportunities.

The first task is to monetize the non-essentials. Few would argue that the precious works of art in the Detroit Institute of Arts should be snapped up by any stray carpetbagger, but what about selling Belle Isle to a private holder? It was a shame that idea — championed by our very own board member Rod Lockwood — was passed over. Owning property you can't manage or protect is about as useful as screen doors on a submarine.

Next is to take a cold, hard look in the mirror at what calling yourself a city really means. Because if it takes two hours for the police to come to your home in the city that invented

modern transportation, you're doing it wrong. Same goes for trash collection, animal control, street lights and cemeteries. The response time isn't the police officers' fault — there's no different brand of humanity in Detroit than anywhere else in the world. It's the misadministration of the city that's wrecked it for everybody.



Above all else, Detroit must learn to meet its obligations. That means tackling the pension problem head on. It doesn't take an eighth-grade education to do the math: Whoever is correct in calculating the amount of gap between revenue and obligations, the fact is that

obligations aren't being met, and that'll only get worse. City pensioners have been investing in Detroit for a long time, and to very little avail. Reform must happen, so that Detroit can meet its obligations both existing and future. This used to be called basic housekeeping.

Once these steps are taken, I think Detroit will look around and see a lot of room for opportunity — if it will get out of its own way by not scaring potential investors, workers and habitants away through high taxes, limited school choice and onerous regulations. There's an entrepreneurial spirit that longs to exercise itself in Detroit, from new American chefs to engineering talent close-by to technological start-ups.

They will lay the stepping stones to Detroit's future, rather than those insisting on reclaiming a less-than-perfect past. And those in favor of a bailout forget the very spirit that made Detroit great in the first place. ■

BY THE NUMBERS

According to the National Bureau of Economic Research, the recession ended in **June 2009**. While the recovery has been more timid than many would like, it's been the first growth that Michigan experienced since 2000.

- Michigan has added **263,200 jobs** to its payrolls — a gain of **6.9 percent** according to the Bureau of Labor Statistics. This is the fourth-highest job growth rate among the states.
- Michigan's inflation-adjusted per capita personal income, perhaps the greatest indicator of state's wealth, increased **4.7 percent** — 16th highest among the states according to the Bureau of Economic Analysis.
- New housing permits increased from **6,884 units** to **11,692 units**, according to the U.S. Census Bureau.

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