

MICHIGAN  
**CAPITOL CONFIDENTIAL**

Now Featuring: *The Refuge* from the Property Rights Network



A review of the votes and proposals of the Michigan Legislature — Vol. 3 No. 6 — November/December 2009

PROPERTY RIGHTS NETWORK

# ART APPEAL

BY BRUCE EDWARD WALKER

That a person's home is his or her castle is one of the first principles of property rights. As long as the rights of neighbors or passersby are respected, property owners should be free to use their property as they see fit. This would include issues of design, as was the case when Erica and Laurent Chappuis placed inoffensive, original art in front of their home in Grosse Point Park and encountered a four-year hailstorm from city officials demanding the paint-

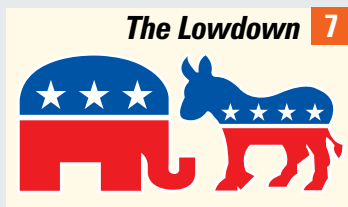
ing be removed — or else.

Placing art on one's property might seem unremarkable, provided there's nothing that might prove offensive in accordance with public standards. In fact, in some communities, lawn sculptures and other forms of decorative art are the norm. The city of Grosse Pointe Park, however, begged to differ when artist Erica Chappuis placed one of her own paintings in the front of her own house. Declaring the painting of a young girl

See "Art Appeal," Page 6



## INSIDE THE ISSUE



# BALANCING ACT

*State budget battle adds new twist to old squabbles*

BY KENNETH M. BRAUN

The creation of the fiscal 2010 state budget saw a surprising development: The Republican leadership of the Michigan Senate and the Democrat leadership of the Michigan House came together and agreed to try a unique bipartisan gambit that would have paid the state's bills and balanced its books by spending less than requested by Democrat Gov. Jennifer Granholm. This raised the possibility of the governor receiving bipartisan budgets and refusing to sign them, setting the stage for the most peculiar state spending battle in a decade already full of them.

The bipartisan budget cooperation was ultimately undone by dozens of lawmakers from both parties in the House unwilling to buck the Michigan Education Association school employees union by casting votes for relatively modest cuts to the K-12 school budget.

The story begins back on Feb. 12, when Gov. Granholm made her budget recommendation for the coming fiscal year. This included some modest spending reductions, some increases, and also a collection of "revenue adjustments" (i.e., tax and fee hikes). As the Oct. 1 dawn of the new fiscal year drew closer,

See "Balancing Act," Page 12

COMMENTARY

# MISSISSIPPI NOT BURNING

*But its economy has been hotter than Michigan's*

BY MICHAEL D. LAFAIVE

"Reporting Michigan" and other Lansing-based newsletters reported in October that while scolding the Legislature for not raising taxes, Gov. Jennifer Granholm took a gratuitous swipe at the state of Mississippi. The comment raised the eyebrows of economists who actually follow and care about statistical reality and truth. Some Mississippi legislators and bloggers also took umbrage at the sneer, and rightfully so.

According to Gongwer News Service, Gov. Granholm

See "Mississippi," Page 4

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If you are reading this newspaper for the first time, **thank you for taking the time to look over this publication** from the Mackinac Center for Public Policy. We selected you for this mailing because you have shown an interest in the public policy issues that we discuss. Inside, you will find a review and analysis of important state legislative policy issues that do not always receive attention from the general media. Every two months, we send this publication to make it easier for you to keep tabs on your elected representatives in Lansing.

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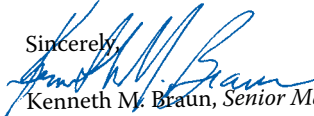
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The Mackinac Center's mission is to educate Michigan residents on the value of entrepreneurship, family, community, private initiative and independence from government. We believe, as our country's Founders did, that **liberty and sound policy can never be taken for granted**. Their preservation requires vigilance during each generation from both us and citizens like you.

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Thank you for any help you may be able to give us — and don't forget to let us know if you want to continue your FREE subscription to Michigan Capitol Confidential!

Sincerely,



Kenneth M. Braun, Senior Managing Editor, MICHIGAN CAPITOL CONFIDENTIAL

  
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## ad liberties

# Will the Real Reform Please Stand Up?

BY JOSEPH G. LEHMAN



One question comes up again and again when my Mackinac Center colleagues and I speak to groups of all kinds around Michigan. What reforms will fix Michigan's problems?

While Michigan's private sector economy and population have shrunk, lawmakers have expanded our government even faster than inflation. Michigan has the weakest economy of all 50 states by any number of current annual measures, including unemployment, decline in personal income (over more than 3 years), decline in gross state product, number of jobs destroyed, population loss and others. Our state rankings in tax burden and regulatory climate are uncompetitive. Our union culture seems hostile to those who have capital to build businesses and create jobs.

These facts alone would give Michigan a black eye. But then, there are the national headlines: historic bankruptcies and federal takeovers of Michigan firms, embarrassing political scandals in our largest city, chronic budget deficits and the failure of our highest state officials to even enact a state budget on time, forcing brief government shutdowns two out of the last three years.

I don't think the millions of dollars the state spends on TV ads touting "the Michigan advantage" are fooling anyone.

Bad public policy didn't create all of Michigan's problems. But we can't fix the problems without better policies. No single policy change

will be enough. Mackinac Center analysts recommend hundreds of ideas, large and small, that add up to billions of dollars in state savings and rejuvenated economic growth. Just because there is no single legislative "silver bullet" doesn't mean a legislative "bold stroke" is not also necessary.

Michigan doesn't just have economic problems; it has major PR problems. Michigan needs a big change that not only has significant impact on economic growth, but also captures national attention and says Michigan is serious about reversing its slide.

What would a bold stroke look like? Here are some examples:

- Pass a right-to-work law. Under right-to-work legislation, no worker could lose a job for deciding not to join or support a labor union. RTW is already on the books in 22 states.
- Eliminate one major tax. Michigan taxes personal income, business, retail sales and property ownership. States that do not levy all these taxes tend to outperform Michigan. Michigan should replace the tax with spending cuts recommended by the Mackinac Center and others.
- Bring government-sector employee benefits in line with private-sector benefits. Despite the conclusions of studies written by tax-funded university professors, public employees typically enjoy the kind of benefits that went out of style long ago in the private sector.
- Repeal the Public Employee Relations Act. This is the law that resulted in the near-universal unionization of government employees in

Michigan. Some states forbid, or limit, unionization of government employees that already have generous civil service and tenure protections.

What if lawmakers want to start with a half-step toward one of these bold strokes? They could:

- Enact right-to-work for government employees only, or just public school teachers.
- Convert state employee health insurance plans to health savings accounts, or adopt an idea similar to Democratic House Speaker Andy Dillon's, which would put public school teachers and state employees on the same plan. This could save hundreds of millions of dollars annually.
- Repeal the "prevailing wage" law. The cost of this pernicious law appears in no budgets, but it increases the cost of everything the government builds from bridges to schools by hundreds of millions of dollars per year. Repeal it and unions would again have to compete with nonunion construction workers.

Sometimes, we're asked if repealing legislative term limits or converting to a part-time legislature would help. Perhaps, but evidence from other states is mixed.

My colleague Jack McHugh noticed a pattern when he was investigating whether states without term limits or full-time legislatures outperformed Michigan. But the pattern was not related to term limits or lawmaking schedules. States that tend to have the same kind of problems as Michigan have something else in common: oversized, heavily unionized government workforces.

You may have noticed that most of the "bold strokes" above are related to unions in some way. That's because when one starts down the path of free-market reform in Michigan, the major obstacle blocking the path is very often a law that favors unions or the political power of the unions themselves. Until our elected officials face

this fact and deal with it boldly, other reforms will likely produce marginal results.

We aren't ready to precisely quantify unions' effects on public policy and our economy. But we do know unions are the one policy area Michigan politicians seem most afraid to touch. We also know Michigan's

historic relationship with unions is almost in a class by itself. And we know how fast Michigan's fortunes are falling relative to other states. It's time for the real reform to please stand up. ■

*Joseph G. Lehman is president of the Mackinac Center for Public Policy.*

## Dear Readers of *The Refuge*

Welcome to the new and improved version of The Refuge! It has joined efforts with another Mackinac Center publication — Michigan Capitol Confidential. For readers of The Refuge, if you have enjoyed what you have been reading about property rights during the first two issues, then this change is going to mean two things:

1. You'll be getting The Refuge more frequently: Michigan Capitol Confidential is published six times per year, rather than quarterly.
2. You'll be getting MORE than just The Refuge. In addition to news about protecting your home and property from the covetous eyes of government, you'll now get the inside story on what else your elected officials are up to.

What this change will NOT mean is any reduction in content on the property rights news that you have come to rely upon from The Refuge. You'll still get everything you signed up for — just more frequently! You'll be able to find it right here, in a dedicated "Refuge" section, inside of Michigan Capitol Confidential.

Both of these publications are relatively new outreaches for the Mackinac Center. During the short history of both periodicals, each of us have visited and spoken to dozens of audiences across Michigan. And what we learned very quickly is that, for the most part, you're all the same people with the same concerns. So, it didn't take us long to figure out that we might be able to serve you more than twice as well by combining our efforts.

For longtime readers of Michigan Capitol Confidential, this is just one more improvement upon our mission to bring you news about YOUR government that you might not be getting elsewhere. Future issues will now come with several more pages of content — literally a brand new dedicated section just for property rights news.

If you haven't already told us that you want to remain on the FREE permanent mailing list, please do so. We'd hate to cut you off because you never told us how much you enjoyed what you are reading. And, as always, please don't hesitate to recommend the addresses of friends and family you think might also enjoy this information. (Somebody referring YOUR name might be why you're reading this issue right now!)

While this is a free publication, it is funded by the donations of patriots such as you. If you can spare a contribution in any amount, it will greatly enhance our ability to serve you better and find more people just like you in the future. The Mackinac Center is a 501(c)(3) research and educational institute, and your generous support is tax deductible on your federal income taxes.

But above all, if you're already a short- or long-time subscriber of either publication, thank you for your continued support. We hope you've enjoyed the road we've traveled with you so far, and can't wait to show you where we plan to go in the future.

Cordially,

**Russ Harding**, Director, Mackinac Center Property Rights Network  
**Bruce Edward Walker**, Editor, The Refuge  
**Ken Braun**, Senior Managing Editor, Michigan Capitol Confidential

## MISSISSIPPI

from Page One

argued that, “What we’re fighting for is Michigan not becoming Mississippi.” She was presumably referring to Mississippi’s historical standing as a relatively poor state. But a more nuanced examination of the data suggests several reasons that this single cliché provides a spurious argument at best for advancing higher taxes in Michigan.

For starters, states with an “agricultural legacy” such as Mississippi typically have a long history of lower incomes. In a paper on right-to-work states, economist W. Robert Reed wrote that an “important determinant” of current wages is how large a share of a state’s total income in the past was generated by the agricultural sector: “The economic past still casts a long shadow on the economic present.” Scholars (or politicians) who fail to consider a state’s economic past may misinterpret reasons for its economic well-being or lack thereof today.

In 1929, average incomes in Mississippi were a whopping 60 percent below the national average. In contrast, in 1929 Michigan incomes were 13.3 percent above the national average. These figures are relevant starting points, but more important for us today are the overall trend lines.

In plain terms, Michigan was a relatively wealthy industrial powerhouse in the first half of the 20th century, but over the past 60 years has trended lower. Mississippi started in extreme poverty and has made great strides against long odds and obstacles. (See chart.)

Is it possible that not long from now Mississippi incomes will exceed those of Michigan? I wouldn’t bet against them.

Indeed, on many key economic indicators, Mississippi has outperformed Michigan in this decade, despite being blasted by

Hurricane Katrina four years ago.

In the last five years, the Magnolia State ranked 18th in the nation in per-capita personal income growth. Michigan’s personal income growth ranking? Dead last.

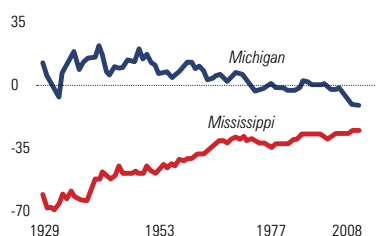
During the same time period, Mississippi’s state gross domestic product increased by 5 percent, while Michigan’s fell 4 percent.

In addition, since 2003, unemployment rates also have been rising in Michigan and falling in Mississippi, not counting the current recession when joblessness has increased in both states. The unemployment rate trend lines crossed in March 2006; since then, Michigan’s unemployment has been higher than Mississippi’s.

In fact, Michigan’s unemployment rate has led the nation for 43 consecutive months. Only three times since 1976 has a state recorded higher unemployment than Puerto Rico: twice this year by Michigan and once by Louisiana, for just one month immediately following Hurricane Katrina.

### Michigan and Mississippi per-capita personal income as a percent of U.S. PCPI

1929-2008



Source: Author's calculations based on data from the Bureau of Economic Analysis

It is true that Mississippi’s poverty rate is much higher than Michigan’s — another legacy of the state’s agricultural past and other unique factors (concentrated poverty rates that are 50 percent higher than the state’s average are found in 14 rural Mississippi-delta counties). However, since 2005, Michigan’s poverty rate increased by 9 percent while Mississippi’s has been unchanged, and over the past 20 years, the trend has been toward less poverty in the southern state.

These compelling statistics are

not lost on all Michigan politicians. Shortly after Gov. Granholm’s Mississippi remark, freshman lawmaker Tom McMillin offered an amendment to a tax hike bill suspending the increase until Michigan’s unemployment rate (15.2 percent) dropped below Mississippi’s (currently 9.5 percent).

As mentioned, some Mississippi legislators and

bloggers found Gov. Granholm’s comments — shall we say — lacking in southern graciousness? One blogger mocked the Yankee governor by posting, “halp us geinfr grandhome — weer frum Mississippi.”

Has Mississippi been a relatively poor state? Yes. But if present trends continue, the Great Lakes State may watch the

Magnolia State pass it by in wealth and in prestige. The way to prevent that is for Michigan to stop raising the cost of living, working, and investing here and instead decrease taxes and regulation. ■

(See related story, Page 10.)

Michael D. LaFaive is director of the Morey Fiscal Policy Initiative at the Mackinac Center for Public Policy. He may be reached at lafaive@mackinac.org.

# The MC

## The Mackinac Center Blog

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**What Price Information? Try \$7 million**  
By MS. KATHY HOEKSTRA | 11/10/2009 2:26 PM

\$6,876,303.90, to be exact. That’s what the Michigan Department of State Police is charging for documents that I requested via the [Freedom of Information Act](#) regarding the state’s handling of federal homeland security grant money from 2002 to present (see image at right). This is definitely a record for any FOIA request. Even the \$3,438,151.95 down payment seems likely to be a speck above the average FOIA asking price.

I submitted the request in September based on information revealed in a 2008 report by the Office of the Inspector General of the homeland security grants awarded during fiscal 2002-2004, as well as state monitoring reviews (these FOIAs cost a mere \$235.90). The inspector general spot-checked only seven counties and

Michigan Homeland Security \$7 million FOIA request

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# The Refuge

PROPERTY RIGHTS  
NETWORK

A publication of the Mackinac Center for Public Policy FALL 2009  
"A man's house is his castle — et domus sua cuique est tutissimum refugium" — Sir Edward Coke



## Property Rights Lessons From Motown



BY KURT BOUWHUIS

Suppose you were tasked with selecting the best candidate for creating one of the biggest and most influential record labels of all time. Would the following individual's application be at the top of your list?

- Born in Detroit
- Dropped out of high school in 11th grade to become a professional boxer
- Boxed until drafted for the Korean War in 1950
- Opened a record store after returning from Korea in 1953
- Worked on the assembly line at Ford's Lincoln-Mercury plant
- Quit his job at the plant to become a professional songwriter
- Secured an \$800 loan to start a record company out of a house in a crowded residential area in Detroit

The resume above belongs to Berry Gordy, founder of Motown Records.

There is a valuable property rights lesson from his story. Few would have chosen this business model as viable, because playing music at all times of the day and night in a crowded residential area may concern a few neighbors. In fact, Gordy did receive several noise complaints

in the early days of Motown. Undeterred, Gordy was a smart guy and solved this issue by purchasing all the surrounding homes in the neighborhood and turning them into offices. Only a system of private property rights would allow such a business model to emerge. Today, with modern zoning laws and countless other regulations

See "Motown Lessons," Page 8

## PROPERTY RIGHTS NETWORK PRODUCES BOARDMAN RIVER DAM VIDEO

BY BRUCE EDWARD WALKER

The latest Property Rights Network video relates the horrors experienced by property owners on the Boardman River outside Traverse City. Of the four dams on the river, three have been slated for removal by city and county officials. On its surface, removal of the dams seems like a good idea. In reality, however, elected officials and bureaucrats are using every tool in their arsenal to usurp the rights of individuals who own land on the dam impoundments.

## DOCUMENT WHAT GOVERNMENT OFFICIALS TELL YOU

BY RUSS HARDING

President Ronald Reagan warned Americans to "trust but verify." There is no better advice when dealing with federal, state and local government officials. As director of the Property Rights Network for the Mackinac Center for Public Policy, I am in frequent contact with landowners throughout the state who have learned the hard way that a government official's word cannot always be trusted.

Often, a government official will make a verbal promise or commitment, only to renege on the commitment or deny it was ever made. This may happen for several reasons — government

officials' decisions are commonly overridden by their supervisors, or they may change their position when other interested parties object. Lines of clear authority and delegated decision-making are often not clear in government bureaucracies. Risk-taking by government employees is discouraged and even punished in many instances, causing government employees to "reconsider" their prior commitments.

Landowners dealing with government officials would be wise to consider three priorities — document, document and document. This advice sounds simple, but unfortunately, most landowners do not take the time

to create a paper trail regarding their dealings with government regulators. The following steps should be taken:

- Take detailed notes of all communications with regulators, including phone conversations and site visits.
- Transcribe notes into a letter and include your understanding of any agreements or commitments on the part of the government as well as any commitments you made. Be sure to include any dates agreed to.
- Send letters by registered mail to appropriate government officials and request a response in a reasonable time frame (two weeks is common).
- Keep all correspondence professional, factual and to the point. Emotional or sarcastic letters are not helpful.

Creating a paper trail may seem time-consuming, but it is essential. Verbal commitments

See "Trust but Verify," Page 8

## 'Wild River' a Property Rights Classic

BY BRUCE EDWARD WALKER

Among the many great movies of the past that have slipped through the cracks before reaching classic status is director Elia Kazan's 1960 film "Wild River." It's hard to imagine that a film made by the director of "On the Waterfront" and "A Streetcar Named Desire" and featuring actors Montgomery Clift, Jo Van Fleet

See "Wild River," Page 10



See "Boardman Dam," Page 10

## ART APPEAL

from Page One

innocently frolicking with her horse in violation of the city's sign ordinance, Grosse Pointe Park fined Laurent Chappuis, Erica's husband, and ordered the picture removed.

"We had an air-conditioning unit that was placed in the front of our house," explained Erica. "It wasn't very attractive, so Laurent and I decided to place one of my paintings in front of it."

The painting prompted pedestrians who jogged, bicycled or walked their dogs in front of the



Chappuis residence to comment that they enjoyed the artwork. "We never heard anyone state that the painting offended them," Erica said. "Everyone we talked to said they really liked it."

Everyone, that is, but local government officials, who declared that the couple was breaking the city's law against signs placed in residential areas. The Chappuises refused to remove the painting, however, sparking a four-year legal battle with Grosse Pointe Park after Laurent Chappuis was charged with violating the city code.

The case went to trial in November 2007. Grosse Pointe Park Municipal Court Judge Carl Jaboe found Laurent guilty in October 2008. The couple appealed to Wayne County Circuit Court, where last August the guilty verdict was overturned and the ordinance found unconstitutionally vague by Judge Bruce Morrow.

"The city of Grosse Pointe Park asserts that the plan [sic] reading of the ordinance makes it plain as the smile of Mona Lisa's face, that a reasonable and common sense definition of sign would automatically include art," wrote Morrow in his opinion. "As such, Appellant was found guilty of violating Section 27-101(f) of the City Code, Illegally Erecting a sign."

"This court finds that Section 27-101(f) is unconstitutionally vague and as such reverses the ruling of the lower court and remands this case of the lower court to be dismissed

"The entire text of a statute

must be examined to determine whether or not it is vague. The State must provide a person of ordinary intelligence a reasonable opportunity to know required behavior. Reading the entire text [of] this code does not alert a reasonable person that a permit is required for 'art.'"

The common sense ruling of Judge Morrow didn't prevent the city of Grosse Pointe Park from appealing, but in late October the city dropped its appeal.

The case may not be resolved, however. As Erica pointed out, there's nothing preventing the city from rewriting the code in the future to prohibit her paintings from being displayed in front of her home. ■

*Bruce Edward Walker is communications manager for the Mackinac Center's Property Rights Network and editor of The Refuge. He may be reached at [walker@mackinac.org](mailto:walker@mackinac.org).*

Dear Michigan  
Capitol Confidential

I have just finished my first issue of Michigan Capitol Confidential [July/August 2009] and found it worthwhile even though I didn't find anything in it particularly startling. But I do have objections to two of the articles.

I disagree with the article "Left Behind." It is true that government job training programs are generally ineffective, not only because they are poorly run, but because it is extremely difficult, as the article pointed out, to forecast what kind of jobs are going to be in demand. And it is absolutely true, as the article points out, that low taxes and a light, intelligent regulatory burden are the best route to prosperity. But are our taxes particularly high? Not from the reading I have done. They seem to be pretty close to average. And our state revenue, as a percentage of personal income has fallen over the last eight years. That is the same period of time we have lost 300,000 jobs.

"Job training is also ineffective without job creation," is not precisely correct. This is, to a large degree, a chicken and egg problem. A state with a skilled, educated workforce will find that job creation is much easier than otherwise. The days of plentiful unskilled, good paying jobs are over. Surely, you would not advise an individual against going to a community college or vocational school and acquiring a marketable skill? Of course not, even though he might not find employment in his field right away. Similarly, the NWLB [No Worker Left Behind] program is going to have failures. That does not mean we shouldn't be concerned, as liberals are not, with the relationship between inputs and outputs.

I also disagree with your opposition to imposing a ban on smoking in bars and restaurants. Mr. Nunez, in his contest winning letter, said, "Anytime we infringe on legal businesses to choose their customers, we are practicing 'big brother' tactics." But we infringe on legal businesses every day. We prevent businesses from polluting the air and water and we prevent them from maintaining unsafe working conditions for their employees. In each case, we are preventing them from externalizing their costs, or preventing their customers from externalizing theirs. Doing so is one of the fundamental reasons we have government.

On the other hand, I wholeheartedly endorse your opposition to efforts to maintain the cap on the number of charter schools in Detroit. I was really upset by Detroit's rejection of Mr. Thomson's generous offer. I sent an E-mail to Representative Dian Slavens and Senator Bruce Patterson opposing the legislation retaining the cap on charter schools.

Sincerely yours,

Charles Richards, Canton, MI

Their votes, your views.

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Engage. Join in. Get involved.

# THE LOWDOWN

## MICHIGAN TAXPAYERS ALLIANCE: PERKS, PROPERTY TAXES AND MORE

“What if local politicians were prohibited from providing benefits to government employees that exceed the cost of benefits in the private sector? In other words, what if there was a cap on the amount that government employee benefits could cost?”

This is the question being posed by Leon Drolet, head of the Michigan Taxpayers' Alliance. Dubbed “Rescue Michigan” on the MTA Web site, the idea is to amend the Michigan Constitution so as to cap the cost of public-sector employee benefits at no more than that paid for the benefits provided to private-sector workers. Using data from an August article written by James Hohman, Mackinac Center fiscal policy analyst, Drolet projects that enactment of his proposal could save Michigan taxpayers as much as \$5.7 billion per year. Drolet notes that this savings would be enough to eliminate the Michigan Business Tax and cut the state income tax in half.

Getting such a proposal on the ballot for the Nov. 2, 2010, general election will require collecting 380,126 valid signatures from Michigan voters and submitting them to the state Bureau of Elections by July 5, 2010. Drolet estimates a \$1 million cost for this phase of the project and is searching for funding. A former state representative from Macomb County, he has experience with ballot drives to amend the State Constitution, having been the chair of the successful Michigan Civil Rights Initiative that banned the use of race preferences in government hiring and university admissions.

“Rescue Michigan” will be one of the subjects discussed at a “Taxpayer Summit” that the MTA is hosting on Jan. 30, 2010. Also on the agenda will be sessions teaching attendees how to appeal their property taxes and exploring state and local government spending reform. Drolet will also provide a seminar on “Effective Activism,” wherein he will teach attendees how to “understand the mind of a politician” so that they can more effectively communicate with elected officials.

The event is scheduled to take place at 1:30 p.m. on Jan. 30, in the auditorium of Macomb Community College's Center Campus at 4475 Garfield Road in Clinton Township. The event is free to the first 200 attendees who contact MTA at [www.mitaxpayers.org](http://www.mitaxpayers.org).

Communicating with politicians — or at least getting under the skin of those who raise taxes — has been a staple of the MTA's mission since its founding in 2007.

The infamous vote on Oct. 1, 2007, that hiked state



Mr. Perks of the Michigan Taxpayers Alliance

taxes by \$1.4 billion was rumored to be imminent as early as the third week of May that same year. But throughout the period, Drolet was loudly proclaiming that his membership would consider recalling from office any politician who supported a tax increase. Both his detractors and supporters credit the MTA with delaying the vote. (See related stories in previous issues of Michigan Capitol Confidential: [www.mackinac.org/9334](http://www.mackinac.org/9334) and [www.mackinac.org/9932](http://www.mackinac.org/9932).)

Bloggers at MichiganLiberal.com were then agitating in favor of the tax hike and dubbed Drolet “Pig Man,” in reference to the MTA's mascot, “Mr. Perks,” an eight-foot-tall foam pig mounted on a truck trailer. Drolet and MTA activists towed Perks through the districts of lawmakers from both parties suspected of favoring a tax hike. Perks was also camped outside the Capitol building during several session days when tax hikes were rumored to be imminent — while Drolet blogged updates to supporters and the media.

After the tax hikes passed, Drolet spent much of 2008 attempting to recall House Speaker Andy Dillon, D-Redford, for the politician's leading role in pushing through the tax increases. Drolet's initial plan to put the question on the August election ballot was thwarted by a lawsuit and other evasive tactics deployed by the opposition, forcing the Dillon recall onto the November election ballot, where it failed. (Drolet's team produced a humorous video describing some of the challenges thrown at them: <http://dillonsthugs.com/?p=5>.)

Undaunted, Drolet redirected the MTA toward a very successful series of seminars around the state advising taxpayers how to appeal their property taxes. Hundreds showed up at several events, in one case forcing a second session at the same location later in the day. This fall, the MTA teamed up with WJR-760 AM to host a debate between the Republican candidates for governor regarding how to fix the Michigan economy.

## MICHIGAN TOO COSTLY FOR CALIFORNIA CONVICTS

In August, California Secretary of Corrections Matthew Cate rejected an offer to house some of that state's surplus inmate population at a maximum security prison in Standish, Mich., telling the Michigan Department of Corrections that its daily fee was “significantly higher” than the cost being charged by other states. Cate also noted that the Standish facility, while considered “maximum-security” by the MDOC, is not secure enough to accommodate California's maximum security prisoners. As an alternative to a proposed closing of the Standish prison, which opened in 1990, Gov. Jennifer Granholm is proposing to other states that they hire the MDOC to take care of their surplus convict populations.

While less expensive than California, Michigan's annual operating cost per inmate is \$4,867 above the national average and \$5,447 above the average of Midwest states, according to 2005 data provided in “Public Safety, Public Spending,” a 2008 report from the Pew Charitable Trust project on Public Safety Performance ([www.pewcenteronthestates.org](http://www.pewcenteronthestates.org)). Only a dozen states spend more per prisoner than Michigan, according to Pew, so it would appear that California may indeed have many options that are more economical.

With approximately 50,000 inmates, if Michigan's cost per prisoner were merely reduced to what Pew states is the national average, this could translate into an annual savings to Michigan taxpayers of more than \$243 million. The state corrections budget for 2008 was \$2.1 billion.

Perhaps one factor leading to Michigan's additional per-prisoner cost is the compensation paid to its corrections employees. According to a 2008 report from the Citizen's Research Council of Michigan, using 2005 data, the “Average Corrections Salary” in Michigan is \$53,268, compared to a national average of \$44,487 ([www.crcmich.org](http://www.crcmich.org)).

“We have great facilities and great employees and we can provide a better business case for most states,” the governor told the MIRS Capitol Capsule newsletter following the rejection from California. “I believe we will find another use for that facility and keep those jobs” ([www.mirsnews.com](http://www.mirsnews.com) – subscription required). The MIRS reporter characterized the governor's remarks as an attempt to downplay “any insinuation Michigan's prisons weren't good enough for California.” ■

*The Lowdown is written by Kenneth M. Braun, senior managing editor of Michigan Capitol Confidential. He may be reached at [braun@mackinac.org](mailto:braun@mackinac.org).*

# An Interview with Sanford Ikeda

## The Unintended Consequences of “Smart Growth”

### PROPERTY RIGHTS NETWORK VIDEO

#### ABOUT SANFORD IKEDA

##### Positions:

1990-present,  
Associate Professor of Economics,  
SUNY-Purchase College  
1987-90, Assistant Professor,  
California State University-Hayward  
1986-87 Visiting Lecturer, University  
of North Carolina

##### Education:

B.A., Grove City College, 1980  
Ph.D., New York University, 1988

##### Areas of Interest:

Dynamics of interventionism; public  
policy; economy of cities; antitrust;  
Japanese drumming

##### Honors:

Vice President, Society for the  
Development of Austrian Economics



emerged in the history of the United States. There was a time when population was pretty dense in cities. Then people started to move away. Now there seems to be a desire for dense cities again. Can you explain this cycle?

**Ikeda:** The cycle is caused by what I often call the dynamics of interventionism. It is a characteristic of most public policies. One intervention, to fix one problem, often generates unintended consequences — negative unintended consequences — that often frustrate the plans and intentions of the original planners or the original interveners.

In the earlier portion of the 20th century, social critics looked at cities as crime-ridden, dirty, disease-filled places, emphasizing the negative aspects. They decided to try and figure out a way to make lives better for individuals. Many of them took the radical view that you had to completely redesign cities in order to get rid of all the clutter, and get people to enjoy the countryside — have fresh air and sunshine.

By the 1950s and 1960s, people began to move from the central city to the suburbs. This movement was the result of a

deliberate policy to get people out of the cities. After World War II, this sort of accelerated because of the investment of the federal government in interstate highways, and federal investment through the states and localities of infrastructure.

Fast forward a few decades in the 60s and 70s. Groups of social critics began to be concerned with the populating of suburbs and the low density that resulted. Cities began to lose culture and critics began to worry about the pollution being created by the commute from the suburbs to the cities.

**PRN:** How do you feel about advocates of smart growth and urban planning?

**Ikeda:** I like to attribute good intentions to the people who are promoting these various policies. I actually agree with many of their principles. I do think that in fact, density is important. I think that walkability is important. I think mixed uses are important. Rather than imposing it by force, however, there is historical evidence of these desired attributes emerging naturally within cities.

See more of this interview at [www.mackinac.org/11364](http://www.mackinac.org/11364). ■

## TRUST BUT VERIFY

from Page 5

from government officials are worthless when a dispute emerges. If the issue cannot be mutually resolved and litigation becomes necessary, it becomes your word against a government official's word. Detailed documentation with timelines is very important. Frequently, government officials demand quick action on the part of the landowner, but fail to act in a timely manner when fulfilling their own side of the deal.

I'm often asked when to elevate an issue or make a legislator aware of the problem. There is no simple answer. It is largely a judgment call. Generally, I recommend that you give government officials a reasonable opportunity to work with you to find a mutually agreeable solution. However, it is not in a landowner's best interest to let a private property rights issue drag on indefinitely. If a follow up letter to the agency does not result in action on the part of the bureaucracy, it is probably time

to elevate the issue. It is usually easier to get a meeting with a top-level local government official than it is with a high-level official at a state or federal agency. If your issue requires resolution at the state or federal level, you may have to enlist the support of your legislator or congressman to get the attention of the bureaucracy. Often, aggrieved landowners are hesitant to elevate issues for fear of reprisal. Although there is always a risk of retaliation from a government official who does not like someone going over their head, it may be the only option available in order to get your concerns heard.

Although dealing with the bureaucracy is seldom easy, your chances for a successful outcome are greatly increased if you are diligent in documenting all your dealings with government officials. What may seem like a lot of work at the time can pay off later. ■

*Russ Harding is director of the Mackinac Center's Property Rights Network. He may be reached at [harding@mackinac.org](mailto:harding@mackinac.org).*

## MOTOWN LESSONS

from Page 5

and taxes, it would be next to impossible to start a record label with the same business model as Motown Records.

Gordy's eventual success could have only emerged out of a system in which he was allowed to put his own property at risk in order to achieve a goal. If the decision were left up to a central authority or licensing agencies, Gordy would have never even been granted the opportunity to try. Although it is true that many individuals fail in their entrepreneurial ventures (Gordy's initial record store business is a perfect example), it is also true that these failures breed innovation by enabling any individual to risk their own property to serve their fellow man.

This just goes to prove F.A. Hayek's point that: "It is always from a minority acting in ways different from what the majority would prescribe that the majority in the end learns to do better." In short, when the minority is restricted from acting differently from the majority, the minority is restricted on their respective ability to innovate. A system of private property rights is the only system that grants each individual the ability to act freely and unrestrained by the views of the majority. ■

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# A GOOD TAX GONE BAD?

BY KENNETH M. BRAUN

On June 28, 2007, the Michigan Legislature voted to create the Michigan Business Tax, a replacement for the Single Business Tax that had been dreaded for decades by businesses across the state. That day, Michigan's business community expressed significant opposition to creating the MBT, and compelling evidence that its creation was openly defying a mandate for tax reform laid out in a citizen-initiated law that had ordered repeal of the SBT one year earlier. These concerns were sufficient to persuade a majority of the Republicans in the state Legislature to vote against ever creating the MBT.

But on Dec. 1, 2007, just before the MBT took effect, the Legislature added a 22 percent surcharge to it, increasing the new tax's annual bite against businesses by \$614 million. The outrage regarding this second vote has been so substantial that it has obscured the very real animosity directed toward the creation of the MBT in the first place. Confusion regarding these two votes bubbled up this fall when a pair of congressional candidates planning to run in 2010 to replace outgoing U.S. Rep. Pete Hoekstra, R-Holland, tussled over what it means to be responsible for creating the Michigan Business Tax.

There are four Republican candidates seeking that party's nomination, and one of them issued a statement on Oct. 7, 2009, chiding two of the others because they had "voted for the job-killing Michigan Business Tax." A businessman quoted in the release also says the "MBT is unfair to small business and could be the worst tax in the

country," and that "It should never have passed the Michigan Legislature."

The two politicians referenced were former state Rep. Bill Huizenga, R-Zeeland, and current state Sen. Wayne Kuipers, R-Holland — both of whom voted to create the MBT in June of 2007. Each is now an announced candidate to replace Hoekstra.

Huizenga shot back, saying that the accusation had "incorrectly stated that I voted in favor of the MBT as it currently exists when I was a member of the Michigan House of Representatives." Though Huizenga admits to voting "yes" on the first vote, saying that the original MBT "was designed to ease the burden for Michigan companies in several ways," he further claims that his critic naïvely does not understand the nature of the two votes and that it is the second one — the one creating the 22 percent surcharge — that turned a good MBT bad.

Gov. Jennifer Granholm shared Huizenga's optimism over the original prospects for the MBT. In a June 13, 2007, news release from her office announcing the agreement to create the MBT, the governor said the tax "makes Michigan more competitive, helping to attract and keep new job providers ... ." The same release featured Senate Majority Leader Mike Bishop, R-Rochester, who noted that the MBT "creates a more manageable structure than its predecessor and will help set Michigan on the path to economic recovery ... ." House Speaker Andy Dillon, D-Redford Twp., also chimed in that it was the "right plan to move Michigan forward."

"Michigan's job loss is clearly our most pressing crisis, and this agreement certainly moves us in the direction of solving that crisis for our manufacturers and other sectors," opined state Sen. Roger Kahn, R-Saginaw, in a statement released a couple of days later.

And on June 29, 2007, a day after voting for the proposal, then-state Rep. Mike Nofs, R-Battle Creek, told the Battle Creek Enquirer: "In any business tax there will be some winners and some losers, but with this plan, there are more winners." (Nofs is now a member of the Michigan Senate.)

The much-hated SBT was repealed by a voter-initiated ballot drive in 2006. Spearheaded by Oakland County Executive L. Brooks Patterson — who directed the collection of voter signatures — and ratified by both chambers of the state Legislature, the preamble to the law encourages legislators to create a new business tax that is "less burdensome and less costly to employers, more equitable, and more conducive to job creation and investment" than the SBT.

But the MBT as created in June 2007 clearly failed to adhere to the "less costly" mandate of the citizen initiative, in that it was deliberately designed to be "revenue neutral" — i.e., just as costly to businesses as the SBT that it replaced. The governor and many lawmakers, reluctant to make the budget cuts necessary to reduce business taxes, demanded nothing less. (And they would subsequently demand much more when they imposed the 22 percent MBT surcharge along with a \$765 million personal income tax hike later in the year.)

The MBT as originally conceived also failed the test of being "less burdensome" and "more equitable." It was these deficiencies that drove many representatives of Michigan's job providers to oppose its birth.

The Michigan Chamber of Commerce, representing 7,000 businesses across the state, was one of them. The Chamber's tax experts discovered dozens of problems in the MBT, including hidden tax hikes, language that would cause needless lawsuits, and more. The Chamber issued a statement of opposition to passage of the MBT prior to the vote in June 2007, and then one year later published a "2007-2008 Legislative Voting Record" designed to "provide the business community and other interested parties with a measure of how each member of the Michigan Legislature voted on a wide range of issues impacting on Michigan's economic competitiveness." One of the 21 votes used to hold lawmakers accountable for their conduct toward business over the two-year period was the vote to create the MBT.

**But the MBT as created in June 2007 clearly failed to adhere to the "less costly" mandate of the citizen initiative, in that it was deliberately designed to be "revenue neutral" — i.e., just as costly to businesses as the SBT that it replaced. The governor and many lawmakers, reluctant to make the budget cuts necessary to reduce business taxes, demanded nothing less.**

Likewise, on its Web site, the Michigan chapter of the National Federation of Independent Businesses calls the MBT a "bad tax" and references the original vote to create the MBT as follows: "Written by BIG business for BIG business, the Michigan Business Tax was passed on June 28, 2007, ... ."

This is an allusion to the new tax law's bias toward big manufacturing companies.

The MBT was created with the schizophrenic assumption that lower taxes were justified and beneficial to economic growth only if a business sector had garnered the favor of politicians. According to the Michigan Department of Treasury, it was designed to reduce the 2008 tax burden on the manufacturing sector as a whole by 21.3 percent, as compared to the old SBT, and to reduce automotive sector business taxes by 97.5 percent. But because the original MBT was "revenue-neutral," meaning just as costly as the SBT, the big tax breaks for car companies that would soon be begging for federal bailout money had to mean tax increases for others — in particular, the merchants and other small businesses represented by the NFIB.

Likewise, the Michigan Business and Professional Association and the Michigan Food and Beverage Association came out against the MBT just prior to the first vote to create it. Ed Deeb, president of both organizations, told the MIRS Capitol Capsule newsletter on June 22, 2007, that the MBT "clearly isn't for our more than 20,000 small business members." Deeb also noted that the outcome of the MBT process had left his membership with "the feeling that they are under attack by government" which is doing "what is in the best interest of big business."

Though the MBT was passed by the Legislature and signed by the governor despite this opposition, 34 members of the House of Representatives did vote against it — all Republicans. Just 17 House Republicans, including Huizenga, voted for it.

Those voting "no" may have preferred the alternative: following the original law and creating a business tax that really was less expensive, less complicated and less burdensome than the old SBT.

# THE MISSISSIPPI EXAMPLE

BY JAMES M. HOHMAN

In an October press conference, Gov. Jennifer Granholm argued that tax hikes are necessary. “What we’re fighting for is Michigan not becoming Mississippi,” she said. (See related story, Page One.)

The rhetorical flourish is undermined by the reality that Mississippi is no longer the “small government = high poverty” foil that Michigan’s political class has often used to justify keeping their government employee constituencies well-fed with more tax dollars.

Plus, Mississippi has a growing economy — a concept that has begun to seem exotic in this state.

The evidence on Mississippi’s changing fortunes is complicated,

but tells the tale nevertheless. Whether its relative tax burden can be considered low depends on what exactly is compared.

For example, because Mississippi has been relatively a poor state going all the way back to colonial times, its per capita tax burden remains relatively low today.

However, its tax burden per unit of economic output (as measured by state Gross Domestic Product) is the 13th highest (Michigan is 18th).

Also, it’s the 12th highest in terms of total state and local government revenue as a percent of personal income (Michigan is 15th).

Overall, a ranking of the structure of state taxes by the Tax Foundation places Mississippi in 21st place (Michigan is in

17th place, thanks largely to its flat income tax and lack of local government sales taxes). In general, Mississippi has a moderate tax environment, and is hardly the epitome of small-government.

That said, unlike Michigan, Mississippi has experienced some growth in this decade:

- Over the last five years, Mississippi ranked 18th in per capita personal income growth. Michigan was dead last.
- Mississippi’s real (inflation adjusted) Gross Domestic Product rose by 5 percent over the last five years. Michigan’s lost 4 percent.
- Mississippi payrolls grew by 2.9 percent between 2003 and 2008. Michigan’s declined by 5.8 percent.

- While Michigan’s poverty rate increased by 9 percent since 2005, Mississippi’s has stayed about the same. Mississippi still has the highest poverty rate, but unlike Michigan, it’s not getting worse.

If Michigan’s political class is worried that failing to impose higher tax burdens on residents will make us “like Mississippi,” they can relax. On the other hand, if finding new ways to deliver more for less tax dollars helps Michigan rediscover something Mississippi has been enjoying — economic growth — they’ll actually have something to boast about. ■

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## WILD RIVER

from Page 5

and Lee Remick isn’t more readily recognized by movie buffs, but this critic would argue that the film’s property rights theme alone should render it not only a cinematic but a civics class classic as well.

Film critic and Kazan biographer Richard Schickel declared that the movie “comes close to being a great film in its — yes, laconic — humanization of a large conflict, in its evocation of a lost American landscape and spirit, in the simple beauty of its imagery..., in the force of its acting, in its almost Chekhovian realization of little lives under pressure they do not entirely comprehend.”

Briefly, the film concerns itself with idealistic Tennessee Valley Authority functionary Chuck Glover (Clift), who attempts to buy the island property of the Garth family, led by matriarch Ella (Van Fleet) and including widowed daughter-in-law, Carol (Remick). Once the Garth property is purchased by the government

entity, dams would redirect the river and submerge the island.

What Glover discovers, however, is that the good intentions of the TVA conflict with the best interests of the Garth family. As Schickel explains in Kazan’s biography:

“It could be argued that on balance TVA would eventually change their lives for the better. Except for one factor: Many of the dispossessed were members of families that had lived and farmed this acreage for more than a century. They had a tradition — a culture — that was valuable, damageable and not easily transportable. The social engineering that would undoubtedly bring the greatest good to the greatest number would not necessarily include them.”

The road to hell is paved with good intentions, goes the old saying. Glover’s idealism conflicts with the hard reality of the Garths, who have farmed the island for generations.

Schickel astutely recognizes that Glover is a stand-in for Kazan’s own youthful embracement of central planning in general and communism in

particular, and quotes Kazan’s production notes: “Mighty dynamic you were ... intense ... full of a little knowledge (which is a dangerous thing), 100 times surer of everything than you are today” as well as life being “a series of limited engagements” in which Kazan/Glover act as “the instrument of history,” which entails “confidently breaking eggs because he feels ‘it is good for them to be part of the omelet.’”

Glover’s passionate government agent shares many of the qualities exhibited by Michigan Department of Environmental Quality operatives and Smart Growth proponents. Otherwise good people in pursuit of idealistic ends refuse to see the negative impacts their goals might have on the people who live and do business there. Viewing “Wild River” might help them temper their unfettered enthusiasm to run roughshod over property rights in pursuit of utopian goals. ■

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## BOARDMAN DAM

from Page 5

picnics, hiking, bicycling and other activities. These officials also intend to plant hundreds of trees along the banks to enhance the area’s natural beauty.

But, for the individuals who own property on the current dam impoundments, the plans have created a nightmare. In preparation for removal of the dams, up to 15 feet of water has been drawn down — with plans to drawdown even further. As a result, homeowners on the impoundment lost more than 100 feet of shoreline — up to 350 feet



The Property Rights Network’s 10-minute video about the Boardman Dam can be found at <http://www.mackinac.org/11140>.

in some cases — from the docks they built for mooring watercraft and viewing nature. Where wildlife and verdant scenery once abounded, homeowners now cope with mosquito infestations and a view of mudflats.

The drawdown also presents several safety issues. The lowered water exposed several pieces of land that have been hollowed from underneath by years of erosion. Anyone stepping on the land, unaware that it is unsupported below, could be subjected to a 15-foot fall onto hundreds of unsubmerged rocks.

Additionally, the river’s banks have been home for many types of industry over the past 150 years. Exposing the riverbed disrupts the contaminants — many of them toxic — that have settled there, potentially endangering hikers and explorers who could be infected by contact with the toxins.

What’s more, ownership of the exposed bottomland beneath the impoundment is being challenged by the city and county officials, who say that this land now belongs to the public despite plat maps and deeds of the homeowners that specifically state that their property extends to the waterline — wherever that waterline may be.

The Property Rights Network’s 10-minute video (viewable at [www.mackinac.org/11140](http://www.mackinac.org/11140) and [www.youtube.com/watch?v=TYzzqaKKXi4](http://www.youtube.com/watch?v=TYzzqaKKXi4)) addresses the plight of the homeowners on the Boardman Dam impoundments. It includes interviews with several of the homeowners, attorney Robert Kaufman and Traverse City Mayor Mike Estes. Another video is in the works that discusses the impact the water drawdown has had on the area’s wetlands, as well as the viability of returning the dams to their original purpose — creating hydroelectric power. ■

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**GOOD TAX?***from Page 9*

Cutting taxes for manufacturers while holding other businesses harmless was a viable option. Also possible, and preferable, was the option of cutting taxes for every Michigan business.

At the time, the Mackinac Center for Public Policy was circulating a list of nearly \$1.9 billion in budget cutting and economic-growth-generating ideas that could have eliminated the state's hunger for some or all of the tax dollars being taken from job providers by the SBT (see: [www.mackinac.org/7602](http://www.mackinac.org/7602)). These ideas included saving \$75 million per year by eliminating the 21st Century Jobs Fund, a subsidy being given by politicians to favored businesses and industries; saving \$65 million by shifting state police road patrols to less expensive county sheriff deputies; saving \$50-\$300 million by requiring schools to contract out for noninstructional services; saving \$26 million by cutting special state payments to wealthy school districts; and much more.

Because the later addition of the 22 percent surcharge made the MBT far worse than its severest critics could have imagined, we will never know if the original MBT contrivance would have panned out as poorly as those warnings

(or even worse). Today, the Michigan business groups that warned against hatching the MBT in the first place are quietly resolved to just reducing that 22 percent surcharge, to say nothing of getting it removed. Because Michigan's business tax system has gone from bad (SBT) to worse (MBT) to much worse (surcharge) in such a short period of time, it is perhaps understandable that Michigan politicians may sometimes forget what role they played in the drama.

Unfortunately for Michigan's job providers, a majority of Michigan's lawmakers also quickly forgot why the SBT was being replaced in the first place: Public Act 325 of 2006.

The purpose of this initiated law is to:

(a) Repeal the single business tax on business activity in this state after December 31, 2007; and

(b) Encourage the legislature to adopt a tax that is less burdensome and less costly to employers, more equitable, and more conducive to job creation and investment.

The Michiganvotes.org vote tally for creation of the Michigan Business Tax is to the right. ■

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**Check MichiganVotes.org**

**"A Good Tax Gone Bad?":** Lawmakers who voted IN FAVOR of creating the Michigan Business Tax:

**SENATE REPUBLICANS (16)**

Allen (R)	Brown (R)	George (R)	Jansen (R)	Kuipers (R)	Van Woerkom (R)
Birkholz (R)	Cassis (R)	Gilbert (R)	Jelinek (R)	Richardville (R)	
Bishop (R)	Garcia (R)	Hardiman (R)	Kahn (R)	Stamas (R)	

**SENATE DEMOCRATS (16)**

Anderson (D)	Cherry (D)	Gleason (D)	Olshove (D)	Scott (D)	Whitmer (D)
Basham (D)	Clark-Coleman (D)	Hunter (D)	Prusi (D)	Switalski (D)	
Brater (D)	Clarke (D)	Jacobs (D)	Schauer (D)	Thomas (D)	

**HOUSE REPUBLICANS (17)**

Ball (R)	Caul (R)	Hansen (R)	Moore (R)	Palsrok (R)	Shaffer (R)
Calley (R)	Gaffney (R)	Huizenga (R)	Nofs (R)	Proos (R)	Wenke (R)
Caswell (R)	Green (R)	Moolenaar (R)	Opsommer (R)	Rocca (R)	

**HOUSE DEMOCRATS (58)**

Accavitti (D)	Constan (D)	Griffin (D)	Lemmons (D)	Simpson (D)
Angerer (D)	Corriveau (D)	Hammel (D)	Lindberg (D)	Smith, Alma (D)
Bauer (D)	Coulouris (D)	Hammon (D)	Mayes (D)	Smith, Virgil (D)
Bennett (D)	Cushingberry (D)	Hood (D)	McDowell (D)	Spade (D)
Bieda (D)	Dean (D)	Hopgood (D)	Meadows (D)	Tobocman (D)
Brown (D)	Dillon (D)	Jackson (D)	Meisner (D)	Vagnozzi (D)
Byrnes (D)	Donigan (D)	Johnson (D)	Melton (D)	Valentine (D)
Byrum (D)	Ebli (D)	Jones, Robert (D)	Miller (D)	Warren (D)
Cheeks (D)	Espinoza (D)	Lahti (D)	Polidori (D)	Wojno (D)
Clack (D)	Farrah (D)	Law, Kathleen (D)	Sak (D)	Young (D)
Clemente (D)	Gillard (D)	LeBlanc (D)	Scott (D)	
Condino (D)	Gonzales (D)	Leland (D)	Sheltrown (D)	

Lawmakers who voted AGAINST creating the Michigan Business Tax:

**SENATE REPUBLICANS (3)**

McManus (R)	Patterson (R)	Sanborn (R)
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**SENATE DEMOCRATS (NONE)****HOUSE REPUBLICANS (34)**

Acciavatti (R)	Emmons (R)	Knollenberg (R)	Nitz (R)	Sheen (R)
Agema (R)	Garfield (R)	LaJoy (R)	Palmer (R)	Stahl (R)
Booher (R)	Hildenbrand (R)	Law, David (R)	Pastor (R)	Stakoe (R)
Brandenburg (R)	Hoogendyk (R)	Marleau (R)	Pavlov (R)	Steil (R)
Casperson (R)	Horn (R)	Meekhof (R)	Pearce (R)	Walker (R)
DeRoche (R)	Hune (R)	Meltzer (R)	Robertson (R)	Ward (R)
Eisenheimer (R)	Jones, Rick (R)	Moss (R)	Schuitmaker (R)	

**HOUSE DEMOCRATS (NONE)**

Legislators who DID NOT VOTE:

State Rep. Amos (R)	State Sen. Barcia (D)	State Sen. Cropsey (R)	State Sen. Pappageorge (R)
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This is a vote from the 2007-2008 session of the Michigan Legislature. Some lawmakers are no longer members in the current session.

2007 Senate Roll Call 218 on SB 94  
2007 House Roll Call 249 on SB 94

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**Available Web sites for politicians who cast a vote regarding this issue but are no longer serving in the Legislature:**

**Former state Rep. Judy Emmons**, R-Sheridan, is running for Secretary of State: [www.judyemmons.com](http://www.judyemmons.com).

**Former state Rep. Joe Hune**, R-Fowlerville, is running for state Senate: [www.joehune.com](http://www.joehune.com).

**Former state Rep. Bill Huizenga**, R-Zeeland, is running for Congress: [www.huizengaforcongress.com](http://www.huizengaforcongress.com).

**Former state Rep. Andy Meisner**, D-Ferndale, is the Oakland County Treasurer: [www.oakgov.com/treasurer/](http://www.oakgov.com/treasurer/).

**Former state Rep. John Moolenaar**, R-Midland, is running for state Senate: [www.moolenaarforsenate.com](http://www.moolenaarforsenate.com).

**Former state Rep. Mike Nofs**, R-Battle Creek, is running for state Senate: [www.mikenofs.com](http://www.mikenofs.com).

**Former state Sen. Mark Schauer**, D-Battle Creek, is now a member of Congress: [www.schauer.house.gov](http://www.schauer.house.gov).

**Former state Rep. Howard Walker**, R-Traverse City, is running for state Senate: [www.howardwalker37.com](http://www.howardwalker37.com).

## BALANCING ACT

from Page One

revised revenue estimates made clear that a deteriorating state economy would provide less tax revenue than had been projected in February. By early summer, the gap between the amount the governor would like to spend and how much the state treasury expected to collect had grown to an estimated \$2.8 billion. More than half of this could be covered by federal “stimulus” dollars, but that still left an overspending crisis of \$1.2 billion.

The governor’s response to these new numbers was to tweak upward her recommendation for more program cuts, and also to demand more tax hikes. Meanwhile, staring at the reality of a fiscal cliff, legislative leaders in both parties began to consider alternatives. Specifically, Rep. Andy Dillon, the Democrat Speaker of the House, and Sen. Mike Bishop, the Republican Senate Majority Leader, agreed in principle to a budget that would include no tax hikes (at least at first), and would leave some federal “stimulus” money in the kitty for next year’s budget.

The details still needed to be worked out, and the breakthrough on this was announced on Sept. 16, just 15 days before the start of the new fiscal year. Specific department “budget targets” were endorsed by Dillon, Bishop and the chairs of the House and Senate appropriations committees, Rep. George Cushingberry, D-Detroit, and Sen. Ron Jelinek, R-Three Oaks, respectively.

Notably, the governor had played no discernable role in crafting the agreement. She released a statement denouncing its details and demanding a budget that did not make “harmful cuts.”

Furthermore, even though legislative leaders from both parties were on board, they still had to persuade their back-bench colleagues to join them. Complicating matters, the

leaders of the minority party in each chamber were split: House Minority Leader Kevin Elsenheimer, R-Bellaire, swiftly endorsed the proposal, while Senate Minority Leader Mike Prusi, D-Ishpeming, echoed the governor’s denunciation.

The Dillon/Bishop agreement called for spending less than what the governor wanted on a variety of programs: welfare, community health, local government revenue sharing, college scholarships and more. Special interests started to push back before the ink was dry. The MIRS Capitol Capsule newsletter ([www.mirsnews.com](http://www.mirsnews.com) – subscription required) reported that groups “supporting virtually every service funded by state government began mobilizing,” lobbying lawmakers to reject the deal or the governor to veto it.

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**A “Republican” source told MIRS the vote would be problematic because nine House Republicans planned to run for the state Senate in 2010 and “are nervous about not receiving the union’s [MEA’s] endorsement.”**

In the other corner was Michigan’s business community. Charlie Owens, director of Michigan’s National Federation of Independent Businesses affiliate, told MIRS that the bipartisan Dillon/Bishop agreement was “the kind of leadership that small business has been looking for from our lawmakers,” and that “as small business owners struggle to balance their own books while facing falling sales and revenues, they have consistently asked the state to do the same.”

Despite many objections and much hand-wringing, most of the Dillon/Bishop budgets were eventually passed in both the House and Senate. Bishop’s Senate GOP caucus held firm (with just a couple exceptions), passing the leaner budgets on party-line

votes (also with just a couple exceptions). Dillon faced a greater challenge in his 67-member House Democrat caucus, the vast majority of which did not support lower spending amounts. Needing 56 votes to pass each budget, the Democrat Speaker was relying on getting most or all of the 43 Republican votes.

On Sept. 29, MIRS published a roundtable discussion on how this would work out, featuring the views of several political commentators. When asked if House Republicans could be counted on to provide “yes” votes, one Democrat campaign consultant offered the following:

“If House Republicans can’t be counted on to support an all-cut budget, what is the reason for the existence of House Republicans? That caucus is filled with hard-line conservatives who talk tough in GOP primaries. Now is their chance to shine and cut, cut and cut some more.”

Two budgets proved especially troublesome. The first was the one containing \$163 million less for revenue-sharing payments to local governments than the governor wanted. It passed the Senate on a strictly party-line vote, with all GOP members supporting it, but two tries were needed to muster the 56 votes required in the House.

Dillon and Cushingberry were among the 15 Democrats who voted “yes.” Fifty Democrats voted “no,” along with two Republicans: Kevin Green, R-Wyoming, and Tory Rocca, R-Sterling Heights.

Unfortunately, that was the high water mark for the Dillon/Bishop “all cuts” budget, because lawmakers in the House were unwilling to support the School Aid budget, the main funding vehicle for public K-12 education. This would have reduced funding by 2.9 percent compared to the 2008-2009 school year, mostly by reducing the per-pupil foundation allowance by \$218 per student (compared to the \$59 per-pupil reduction proposed by the governor in February.) At around

\$13 billion, the School Aid Fund is the largest single annual expenditure of state government.

Opposition to the 2.9 percent reduction was spearheaded by the Michigan Education Association, the state’s largest school employee union. Describing a “full court press” by the MEA on Sept. 29, a MIRS source identified a dozen House Republicans whom the union was allegedly targeting in an effort to persuade and pressure them to vote against the cut.

A “Republican” source told MIRS the vote would be problematic because nine House Republicans planned to run for the state Senate in 2010 and “are nervous about not receiving the union’s endorsement.” While the union’s support and influence is generally and traditionally greater with Democrat lawmakers, 11 of 43 House Republicans were MEA “recommended” candidates during the 2008 November general election (see: [www.mackinac.org/10317](http://www.mackinac.org/10317).)

Given the party caucus dynamic described above, an MEA effort to pick off Republican votes on the K-12 budget would disproportionately damage the prospects for its passage.

On Sept. 30, the last day before the new fiscal year, the K-12 school budget was finally brought up for a vote in the House. Two attempts were made to pass it, one during the day and another in the early morning hours of Oct. 1. Both failed.

Both times, about a dozen Republicans were either not voting or were pressing their red “no” buttons. Roughly 30 Republicans promptly pressed the green “yes” button.

Both times, the voting board was held open for extended periods to allow attempts to round up a majority. On the Democratic side, legislators were either sitting on their hands, or had pressed the red “no” button.

Three different reliable observers for Michigan Capitol Confidential witnessed one or both of these attempts and recorded the following as some of

the Republicans showing an early and definitive “no” vote while the voting board was open:

Dick Ball, R-Laingsburg,  
Tim Moore, R-Farwell,  
Tom Pearce, R-Rockford,  
Tory Rocca, R-Sterling Heights,  
Tonya Schuitmaker, R-Lawton,  
Paul Scott, R-Grand Blanc,  
Sharon Tyler, R-Niles, and  
John Walsh, R-Livonia.

No complete and official list of the Republicans most eager to vote “no” is available for two reasons:

On the first vote, when it was clear that there was not sufficient support for the measure, the House leadership moved to “clear the board,” wiping out the record. This device is often used as a kind of “do-over,” allowing more time for arm-twisting, logrolling or other vote-garnering tactics.

On the second and final vote, when it was again clear that the measure was well short of passage, Speaker Dillon elected to throw in the towel and record the vote as a defeat. Just prior to the vote being counted, with just two exceptions, the entire Republican caucus switched sides and voted “no,” an apparent attempt to avoid being on the official record with a vote to reduce their local school funding. MIRS characterized this decision as “apparently designed to allow every House member to have a chance to say they voted against it.”

The official vote was a lopsided 106-2. Voting with the majority was one of the authors of the “all cuts” budget, House Speaker Andy Dillon. The two lone House members willing to publicly and officially vote in favor of a 2.9 percent reduction in K-12 spending were Rep. Tom McMillin, R-Rochester Hills, and Rep. Justin Amash, R-Kentwood.

The failed school aid funding vote was the death-knell for the bipartisan leadership “all cuts” budget. As a temporary fall-back, a one-month “continuation budget” was enacted, with a new “deadline” of Oct. 31. Though Bishop maintains an official reluctance to increase spending or raise taxes to balance any budgets, it is widely understood that this

delay will work to the advantage of the governor's spending priorities.

Back in the real world (kind of) the clock was ticking toward Oct. 20, the day when the first state school aid payments were payable to local school districts. Facing this deadline, a second version of the K-12 budget was ratified by both the House and Senate on Oct. 8 and then sent to the governor. This one called for

only a \$165 per-pupil reduction, rather than the previous budget's \$218 cut. This higher spending meant that either "stimulus" money would have to be borrowed from next year's budget, taxes would have to be raised, or both. The decision on which was put off to a later date.

The Michiganvotes.org vote tallies for the General Government budget with the

revenue sharing cut, and the School Aid Fund budget with the 2.9 percent reduction, are below and to the right. ■

*Kenneth M. Braun is the senior managing editor of Michigan Capitol Confidential. He may be reached at braun@mackinac.org.*

## Check Michiganvotes.org

**"Balancing Act":** Lawmakers who voted IN FAVOR of the budget that cut revenue sharing payments to local governments as a way to balance the state budget without raising taxes:

### SENATE REPUBLICANS (21)

Allen (R)	Cassis (R)	Gilbert (R)	Kahn (R)	Patterson (R)	Van Woerkom (R)
Birkholz (R)	Cropsey (R)	Hardiman (R)	Kuipers (R)	Richardville (R)	
Bishop (R)	Garcia (R)	Jansen (R)	McManus (R)	Sanborn (R)	
Brown (R)	George (R)	Jelinek (R)	Pappageorge (R)	Stamas (R)	

### SENATE DEMOCRATS (NONE)

### HOUSE REPUBLICANS (41)

Agema (R)	Denby (R)	Jones, Rick (R)	Meltzer (R)	Schuitmaker (R)
Amash (R)	DeShazor (R)	Knollenberg (R)	Moore (R)	Scott, P. (R)
Ball (R)	Elsenheimer (R)	Kowall (R)	Moss (R)	Stamas (R)
Bolger (R)	Genetski (R)	Kurtz (R)	Opsommer (R)	Tyler (R)
Booher (R)	Haines (R)	Lori (R)	Pavlov (R)	Walsh (R)
Calley (R)	Hansen (R)	Lund (R)	Pearce (R)	
Caul (R)	Haveman (R)	Marleau (R)	Proos (R)	
Crawford (R)	Hildenbrand (R)	McMillin (R)	Rogers (R)	
Daley (R)	Horn (R)	Meekhof (R)	Schmidt, W. (R)	

### HOUSE DEMOCRATS (15)

Angerer (D)	Cushingberry (D)	Espinoza (D)	LeBlanc (D)	Simpson (D)
Byrnes (D)	Dillon (D)	Hammel (D)	McDowell (D)	Slezak (D)
Constan (D)	Ebli (D)	Lahti (D)	Melton (D)	Spade (D)

Lawmakers who voted AGAINST the budget that cut revenue sharing payments to local governments:

### SENATE REPUBLICANS (NONE)

### SENATE DEMOCRATS (16)

Anderson (D)	Brater (D)	Clarke (D)	Jacobs (D)	Scott (D)	Whitmer (D)
Barcia (D)	Cherry (D)	Gleason (D)	Olshove (D)	Switalski (D)	
Basham (D)	Clark-Coleman (D)	Hunter (D)	Prusi (D)	Thomas (D)	

### HOUSE REPUBLICANS (2)

Green (R)	Rocca (R)
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### HOUSE DEMOCRATS (50)

Barnett (D)	Durhal (D)	Kandrevas (D)	Neumann (D)	Switalski (D)
Bauer (D)	Geiss (D)	Kennedy (D)	Polidori (D)	Tlaib (D)
Bledsoe (D)	Gonzales (D)	Leland (D)	Roberts (D)	Valentine (D)
Brown, L. (D)	Gregory (D)	Lemmons (D)	Schmidt, R. (D)	Warren (D)
Brown, T. (D)	Griffin (D)	Lindberg (D)	Scott, B. (D)	Womack (D)
Byrum (D)	Haase (D)	Lipton (D)	Scripps (D)	Young (D)
Clemente (D)	Haugh (D)	Liss (D)	Segal (D)	
Corriveau (D)	Huckleberry (D)	Mayes (D)	Sheltrown (D)	
Coulouris (D)	Jackson (D)	Meadows (D)	Slavens (D)	
Dean (D)	Johnson (D)	Miller (D)	Smith (D)	
Donigan (D)	Jones, Robert (D)	Nathan (D)	Stanley (D)	

Legislators who DID NOT VOTE:

Rep. Doug Bennett (D)      Rep. Judy Nerat (D)

2009 Senate Roll Call 480 on SB 245  
2009 House Roll Call 481 on SB 245

## Check Michiganvotes.org

**"Balancing Act":** Lawmakers who voted IN FAVOR of a cut of less than 3 percent to K-12 school aid payments so as to balance the state budget without tax increases:

### SENATE REPUBLICANS (21)

Allen (R)	Garcia (R)	Kahn (R)	Sanborn (R)
Birkholz (R)	George (R)	Kuipers (R)	Stamas (R)
Bishop (R)	Gilbert (R)	McManus (R)	Van Woerkom (R)
Brown (R)	Hardiman (R)	Pappageorge (R)	
Cassis (R)	Jansen (R)	Patterson (R)	
Cropsey (R)	Jelinek (R)	Richardville (R)	

### SENATE DEMOCRATS (NONE)

### HOUSE REPUBLICANS (2)

Amash (R)	McMillin (R)
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### HOUSE DEMOCRATS (NONE)

Lawmakers who voted AGAINST a cut of less than 3 percent to K-12 school aid payments so as to balance the state budget without tax increases:

### SENATE REPUBLICANS (NONE)

### SENATE DEMOCRATS (15)

Anderson (D)	Cherry (D)	Jacobs (D)	Switalski (D)
Barcia (D)	Clark-Coleman (D)	Olshove (D)	Thomas (D)
Basham (D)	Clarke (D)	Prusi (D)	Whitmer (D)
Brater (D)	Gleason (D)	Scott (D)	

### HOUSE REPUBLICANS (41)

Agema (R)	Genetski (R)	Lori (R)	Rocca (R)
Ball (R)	Green (R)	Lund (R)	Rogers (R)
Bolger (R)	Haines (R)	Marleau (R)	Schmidt, W. (R)
Booher (R)	Hansen (R)	Meekhof (R)	Schuitmaker (R)
Calley (R)	Haveman (R)	Meltzer (R)	Scott, P. (R)
Caul (R)	Hildenbrand (R)	Moore (R)	Stamas (R)
Crawford (R)	Horn (R)	Moss (R)	Tyler (R)
Daley (R)	Jones, Rick (R)	Opsommer (R)	Walsh (R)
Denby (R)	Knollenberg (R)	Pavlov (R)	
DeShazor (R)	Kowall (R)	Pearce (R)	
Elsenheimer (R)	Kurtz (R)	Proos (R)	

### HOUSE DEMOCRATS (65)

Angerer (D)	Ebli (D)	Leland (D)	Segal (D)
Barnett (D)	Espinoza (D)	Lemmons (D)	Sheltrown (D)
Bauer (D)	Geiss (D)	Lindberg (D)	Simpson (D)
Bledsoe (D)	Gonzales (D)	Lipton (D)	Slavens (D)
Brown, L. (D)	Gregory (D)	Liss (D)	Slezak (D)
Brown, T. (D)	Griffin (D)	Mayes (D)	Smith (D)
Byrnes (D)	Haase (D)	McDowell (D)	Spade (D)
Byrum (D)	Hammel (D)	Meadows (D)	Stanley (D)
Clemente (D)	Haugh (D)	Melton (D)	Switalski (D)
Constan (D)	Huckleberry (D)	Miller (D)	Tlaib (D)
Corriveau (D)	Jackson (D)	Nathan (D)	Valentine (D)
Coulouris (D)	Johnson (D)	Neumann (D)	Warren (D)
Cushingberry (D)	Jones, Robert (D)	Polidori (D)	Womack (D)
Dean (D)	Kandrevas (D)	Roberts (D)	Young (D)
Dillon (D)	Kennedy (D)	Schmidt, R. (D)	
Donigan (D)	Lahti (D)	Scott, B. (D)	
Durhal (D)	LeBlanc (D)	Scripps (D)	

Legislators who DID NOT VOTE:

Rep. Doug Bennett (D)      Sen. Tupac Hunter (D)  
Rep. Judy Nerat (D)

2009 Senate Roll Call 506 on SB 252  
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**WHY WE GIVE PARTY AFFILIATIONS:**

*The Legislature is managed as a partisan institution. Lawmakers segregate themselves by party in matters from daily meetings to seating. They have separate and taxpayer-financed policy staffs to provide them with research and advice from differing perspectives. As such, gaining a full understanding of the vote of an individual lawmaker requires knowing his or her partisan affiliation.*

**WHO ARE YOUR LAWMAKERS?**

*To find out which lawmakers represent you and to view interactive legislative district maps, please point your web browser to [www.mackinac.org/9313](http://www.mackinac.org/9313).*

If you do not have Internet access, then you may obtain copies of legislative district maps by calling 989-631-0900 or by sending a written request to us at: Mackinac Center for Public Policy, c/o MiCapCon District Maps, 140 West Main Street, Midland, MI 48640

**Did you know?**

**Members of the Michigan House and Senate are the second highest-paid state legislators in the United States, behind California.**

Base member annual pay: \$79,650

Additional annual expense allowance: \$12,000

Supplements are paid to the following 12 legislative officers:

- Speaker of the House: \$27,000
- Majority leader in the Senate: \$26,000
- Minority leaders in both House and Senate: \$22,000
- Majority floor leaders in both House and Senate: \$12,000
- Minority floor leaders in both House and Senate: \$10,000
- Chair of Appropriations Committee in both House and Senate: \$7,000
- House speaker pro tempore and Senate president pro tempore: \$5,513

In more than 30 states, the position of state legislator is a part-time job with a salary of \$30,000 or less. Texas — the second most populous state and second largest geographically — pays lawmakers \$7,200 per year.

Some pay much less: New Hampshire legislators are paid a salary of \$200 for a two-year term of office; Alabama pays \$10 per day; and New Mexico offers no salary at all — just expenses. ■



# I'M JUST A BILL

**Michigan**votes.org

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

## **SENATE BILL 904**

### **Revise “green schools” criteria**

*Introduced by state Sen. Valde Garcia,  
R-Howell*

The bill would revise the criteria by which a school may be designated as a “green school” and establish new levels of “greenness” for a school, including “emerald” and “evergreen.” The new criteria specify in more detail various types of recycling and add doing energy audits of the homes of students, engaging in letter-writing or lobbying campaigns on environmental issues, offering classes in energy or environmental issues, creating a student environmental organization and “eco reading” program, and much more. Some criteria of the current “green school” statute are not included, such as hosting a Sierra Club spokesperson, students dusting coils on cafeteria refrigerators and checking bus tire pressure, etc.

## **SENATE BILL 552**

### **Give “rewards” to gas stations that increase ethanol sales**

*Introduced by state Sen. Cameron Brown,  
R-Fawn River Twp.*

The bill proposes to give a subsidy to gas stations that increase ethanol sales above certain thresholds specified in the bill. The subsidy would be a “carry-forwardable” income tax credit (can be used to offset the owner’s tax liability over several years), and the value would be between 2 cents and 6 cents per gallon of ethanol sold above the threshold.

## **SENATE BILL 777**

### **Authorize \$100 million renewable power conversion manufacturer subsidy**

*Introduced by state Sen. Tony Stamas,  
R-Midland*

(Note: This bill has become law  
– Public Act 110 of 2009)

The law gives a four-year, \$100 million subsidy to a joint venture of the “Xtreme Power” and “Clairvoyant Energy” corporations, which would make “large scale power systems designed to convert variable renewable power into firm dispatchable power” at the former Ford Wixom assembly plant. The subsidy is structured as a “refundable” tax credit, meaning the state will send the company a check for the amount that the credit exceeds its tax liability.

## **HOUSE BILL 4126**

### **Authorize subsidies for selected auto industry suppliers**

*Introduced by state Rep. Richard LeBlanc,  
D-Westland*

The bill proposes to authorize up to \$250 million in Michigan Business Tax credits for auto manufacturing suppliers that enter job retention agreements with the state. Several future years’ worth of credits could be claimed all at once by a company, meaning that the state would be writing checks to them. The bill authorizes “clawbacks” if the firms don’t meet the job retention goals, but if a firm went bankrupt then presumably the state would be in line with other creditors for a piece of whatever assets remain.

## **HOUSE BILL 4515**

### **Increase electric car subsidies**

*Introduced by state Rep. Dian Slavens,  
D-Canton Twp.*

(Note: This bill has become law - Public Act 5 of 2009. See also: “Politically Correct Capitalism,” in the May/June 2009 edition of Michigan Capitol Confidential.)

The law expands from one to three the number of refundable, \$100 million, capital investment Michigan Business Tax credit agreements that could be entered into with makers of plug-in traction battery packs used in electric cars, which were authorized by a 2008 law, and increase from \$70 million to \$90 million total credits for “battery integration, prototyping, and launch” expenses. The 2008 law authorized various subsidies estimated at \$335 million over seven years. This bill would add an additional \$220 million to that. “Refundable” means that the state will send a manufacturer a check for the amount that the credit exceeds the firm’s tax liability.

## **SENATE BILL 418**

### **Increase energy business subsidies**

*Introduced by state Sen. Jason Allen,  
R-Traverse City*

The bill proposes to increase from \$45 million to up to \$60 million the amount of “21st Century Jobs Fund” money that can be spent on grants and subsidies to energy technology projects undertaken by for-profit companies. These “centers of energy excellence” grants would have to be used for matching federal or international grants. ■