CAPCON MICHIGAN CAPITOL CONFIDENTIAL

MACKINAC CENTER FOR PUBLIC POLICY

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MEA President Inflating Public Pension with $200K Salary While Working for Private Union

BY TOM GANTERT

Steve Cook, the president of the state's largest teachers union, is also listed as the highest-paid employee of the Lansing School District. His annual salary is $20,000 more than that of the district's superintendent.

The deal between the Lansing School District and the Michigan Education Association allows Cook to remain a member of the state's pension system for school employees while working full-time as president of the private union. This lets him accrue pension benefits based on his $201,613 MEA salary, setting Cook up for a much higher post-retirement payout from the underfunded public school employees pension system.

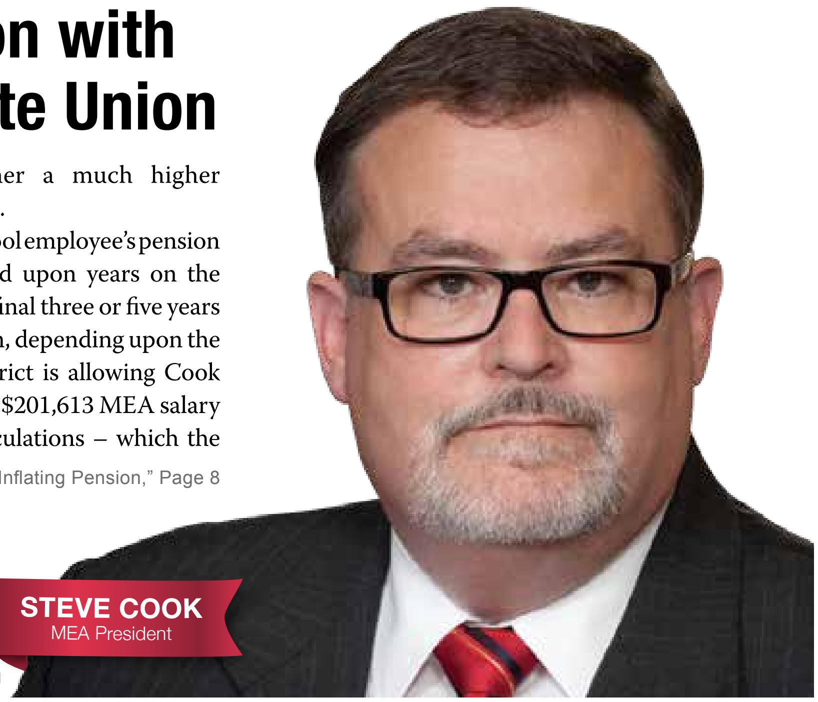
The Lansing School District approved the deal, under which Cook is classified as an "educator on loan" from the district to the union. The district has said it was reimbursed by the union for all of the expenses of the arrangement.

According to the district, Cook works for the MEA and has no job responsibilities with Lansing schools.

The practice raises questions as to why someone serving as a high level executive in a private organization would be allowed to remain in an underfunded government pension system, leveraging his six-figure salary to garner a much higher pension payout.

A public school employee's pension formula is based upon years on the payroll and the final three or five years of compensation, depending upon the plan. If the district is allowing Cook to substitute his $201,613 MEA salary for pension calculations – which the

See "Inflating Pension," Page 8



STEVE COOK
MEA President

Image via MEA.org

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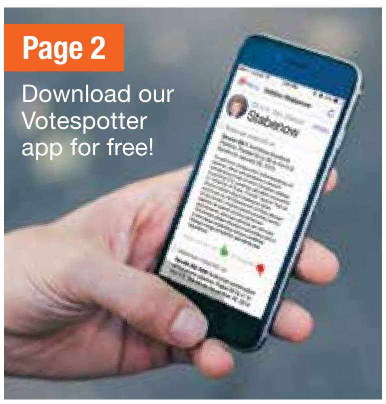

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A SAMPLING OF PROPOSED STATE LAWS

Teacher Claims Union Ruined Her Credit, Humiliated Her Over Trying to Leave

BY TOM GANTERT

A Harper Creek Community Schools special education teacher says her credit has "suffered irreparable" damage and her local union has attempted to humiliate her. The reason, she says, is that she refused to turn over personal banking information that would let the union automatically deduct her dues.

Terri MacKenzie made her claims in a lawsuit she filed against the Michigan Education Association, the National Education Association and the Harper Creek Education Association in Calhoun County district court.

The dispute dates back to September 2012 when the MEA was implementing its e-dues automatic deduction. MacKenzie says she was given two options — turn over her private banking information for monthly deductions or pay her annual $1,000 in dues in full, upfront.

See "Teacher Humiliated," Page 8

How Michigan's Prevailing Wage Law Raises Costs

BY JARRETT SKORUP

In rural Dickinson County, located in the Upper Peninsula on the Michigan-Wisconsin border, the cost of living is low and the median household income is about $44,000.

Steve Zurcher, the owner of St. George Glass & Window located in Iron Mountain, pays his glaziers about $20 per hour. That's the market wage for qualified glass-installers in the area.

But the State of Michigan doesn't care about market or privately-negotiated wages. Because of the state's "prevailing wage" law, any glazier in Dickinson County who works on a taxpayer-funded construction project is mandated to be paid $43.53 per hour.

Prevailing wage laws force government and publicly-funded entities to pay a set minimum wage for workers based on union contracts when contracting for construction work. In Michigan, this minimum construction wage is mostly arbitrary, not taking into consideration private-sector wages or the cost of living

See "Raises Costs," Page 12

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Stabenow voted NO on
Senate Bill 2280 Authorize construction of Keystone pipeline: Failed 59 to 41 in the U.S. Senate on November 18, 2014
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LETTER FROM THE PRESIDENT

Lessons from Twenty Years in the Freedom Movement

BY JOSEPH G. LEHMAN

Twenty years ago I quit my perfectly good engineering job to join the save-the-world business. Two decades at anything prompts retrospection. Here are a few things I know now about public policy and the freedom movement that I did not know in January 1995.

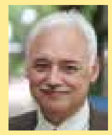
- It's better to be for people than against things. I'll admit to blatantly taking this language from the American Enterprise Institute's president, Arthur Brooks. The Mackinac Center and our movement in general must reorient around this idea.
- Good ideas are not inherently persuasive. Even brilliant ideas must be sold. Without persuasion, ideas are merely academic.
- Persuasion in public policy must reach beyond logic. Effective persuasion engages the mind (logos), the heart (pathos), and the conscience (ethos).
- Most lawmakers are not primarily interested in the details of public policy. They find other parts of the job more attractive. This reality creates obstacles and opportunities for us.
- Finding a person to illustrate a policy point is more powerful than explaining it as a concept. Our research analyzes and predicts government failure, but our news and litigation divisions find people to tell the world how government-backed coercion and overreach have harmed them.
- Electing the party that campaigns on free markets does not automatically produce free-market governance. Electing that party without changing its incentives will result in disappointment. That's why we don't shy away from naming names of political leaders who support legislation that's at odds with their free-market rhetoric.
- Lawmakers typically do not lead social change, even when passing landmark laws like the Civil Rights Act. Rather, lawmakers ratify what the public has already indicated it will demand or at least accept. This is the Overton Window in a nutshell. (Exceptions are called Overton's Revenge. See Prohibition and possibly ObamaCare.)
- The states themselves are largely untapped, incredibly powerful engines of change in Washington. Not only do they exert political influence, but the U. S. Constitution gives them legal influence as well, which may be in the process of being rediscovered. Change doesn't begin in Washington, it ends there.
- Economics is even less of a science than I once thought. Predicting the economic results of a law or program is at least as difficult as predicting anything else involving human behavior. That's another reason not to have much faith in central planning.
- Optimism is essential in the battle to save the republic. Temper it with reason; temper it with realism. But pessimism is demotivating — and self-fulfilling.
- America is amazingly full of generous, civic-minded, principled, hard-working people committed to the basic ideas of this country's founding. I knew they were there, I just didn't know how many and how passionate they are.

People wiser than I am taught me most of these lessons. I figured out a few on my own. All of us at the Mackinac Center are better equipped to advance sound policy than we were 20 years ago. ■

Joseph G. Lehman,
President

MEET THE STAFF

Tom Gantert is the senior capitol correspondent for Michigan Capitol Confidential. He may be reached at Gantert@mackinac.org.



Jack Spencer is capitol affairs specialist for Michigan Capitol Confidential. He may be reached at Spencer@mackinac.org.

Jarrett Skorup is digital engagement manager for Michigan Capitol Confidential. He may be reached at Skorup@mackinac.org.

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MICHIGAN SALES TAX HIKE

$2.0 BILLION TAX INCREASE

BY JARRETT SKORUP

Michigan residents on May 5 will vote on a constitutional amendment and a package of bills that will go into effect if approved. The proposal will increase the sales tax from 6 percent to 7 percent, raise taxes on fuel, and increase vehicle registration taxes. It will also hike the state's Earned Income Tax Credit.

Overall, the proposal will increase state tax revenue for fiscal year 2015-2016 by approximately $2 billion, of which $1.3 billion will go to funding transportation — initially to accelerate repayment of existing transportation bond debt, to increase overall road maintenance, and to spend more on transit and recreational grants.

Of the additional $700 million in new tax revenue, $300 million would go to public schools, $100 million to local government revenue sharing, and pledges for future spending on local bus and transit agencies.

The increase in the EITC will cost the state budget a further $260 million.

Tax and fee changes:

SALES AND USE TAX INCREASE
$1.427 BILLION

The proposal raises the state's sales and use taxes from 6 percent to 7 percent, a 17 percent increase in the rate. This would give Michigan the second-highest state sales tax in the nation, though other states allow local governments to also levy their own sales taxes. Increasing sales and use tax rates would bring the state government an extra $1.4 billion.

NEW AND HIGHER FUEL TAX
$463 MILLION

The state currently imposes both sales tax and a per-gallon excise tax on motor fuel. This excise tax along with vehicle license and registration fees are the primary source of revenue for the state's road maintenance budget. Under the measure, sales tax would no longer be imposed on fuel and the motor fuel tax would be replaced with a new wholesale tax levied at higher rates than currently.

At a listed price of $2 per gallon, the state is currently collecting 29 cents per gallon in sales and excise taxes on gasoline. This proposal would increase those collections to 41.7 cents per gallon.

TRUCK REGISTRATION FEES
$50 MILLION

Registration fees for commercial trucks that weigh more than 26,000 pounds will be increased on a sliding scale based on the truck's weight.

VEHICLE REGISTRATION FEE INCREASES
$10.9 MILLION

Currently, the state provides relief from registration taxes as vehicles age. The annual tax is originally based on on the vehicle's list price but is discounted at the first, second and third renewals. This package phases out these discounts on newer vehicles. Electric vehicles will also be subject to higher registration fees.

The change is not expected to raise much revenue in the first few years but will eventually collect $150 million annually when discounts no longer apply.

Learn more and discuss the tax hike at **Mackinac.org/MaySalesTax.**

Media Muddles Magnitude of May Tax Hike Vote

BY TOM GANTERT

Approximately two billion dollars.

That's how much additional taxes will be collected if voters approve a May 5 ballot proposal, according to a Mackinac Center for Public Policy analysis based on figures projected by Michigan's legislative fiscal agencies.

The bottom-line figure has not been widely reported in the media. In fact, most readers would be hard-pressed to find it in newspapers or in press releases put out by politicians who favor the tax hike measure.

For example, Sen. Jim Stamas, R-Midland, issued a press release that stated: "Last year, the Legislature approved a bipartisan package projected to generate $1.2 billion of additional revenue annually to repair Michigan's roads and bridges, while providing additional funding to our schools and local governments."

Stamas and some reporters devote many words to describing the amounts earmarked to various interests if the measure is approved, but their readers will have to do the math themselves to discover how much more the overall package will extract from their pocketbooks.

In one example, when a letter-to-the-editor on the proposal from reader Howard Bouwens Jr. of Laketown Township was posted in the Holland Sentinel, it referred to the measure as an overall $1.9 billion tax hike. That number accurately reflects the initial fiscal agency analyses, which have been revised since to tack on another $100 million.

However, Holland Sentinel Opinion Page Editor Jim Timmermann posted in the comments section of Bouwens' letter a 250-word response that mentioned only the $1.3 billion collected by the sales tax increase. That left out another $663 million in net gas, diesel and vehicle registration taxes that will be automatically triggered if the ballot measure passes.

In another story an MLive reporter asserted, "In total, it's projected to raise $1.2 billion." The only hint to readers that the real amount is much higher was a reference to an opponent who "thinks this will end up costing voters about $2.0 billion in increased taxes."

The figure is not just one man's opinion, however: it's an accurate sum of how much the nonpartisan legislative fiscal agencies estimate the package's new and increased levies will collect. The exact amount depends on unpredictable factors including the future cost of fuel, but even large swings in these would not change the $2.0 billion bottom line very much.

Other media reports have also focused exclusively on the package's $1.3 billion annual increase in transportation spending, leaving it to readers to untangle the many earmarks and individual tax hikes before they can discover how much more citizens will pay in total.

The ballot measure's sales tax increase by itself will collect an additional $1.427 billion. If this is approved it will automatically trigger the imposition of $523.9 million in additional tax increases in the first year, and $663 million when all the fee increases are fully realized. If voters say "no" to the ballot measure these other tax hikes will not go into effect. They include:

- A net gas and diesel tax hike of $463 million. The actual increase will depend on the cost of fuel.

See "Media Muddles," Page 12

What the New Legislature Should Stand For — and What It Should Not

BY JARRETT SKORUP

For the first decade of the 21st century, the Michigan Legislature's policy direction was to increase the power of government at the expense of citizens. The results were predictable to those who understand incentives and how economies really work.

From 2001-2010, compensation costs for the average state employee increased tremendously, while incomes plummeted for the taxpayers who pay those bills. When state revenues stagnated, the Legislature took more from individuals and small businesses through higher income and business taxes, and increased excise taxes on goods like tobacco.

Rather than enact real business-climate reforms that encourage investment and entrepreneurship, legislators turned to government central planning. The state's corporate welfare arm, the Michigan Economic Development Corporation, grew in scope and power. This well-paid bureaucracy transferred ever larger sums from the market economy to politically well-connected industries in the form of selective tax breaks and subsidies. Open-ended film production subsidies exploded, redistributing about $500 million from state taxpayers to Hollywood producers since 2008.

With many failed promises and little transparency, the MEDC granted long-term deals to favored firms, gifts that keep on taking from Michigan taxpayers. In 2014 alone, the cost was around $860 million, and the budget bleeding will continue for years to come. By all objective measures, these programs have been a colossal failure.

Regulations and mandates also exploded. The number of criminal statutes continued to grow, while licensure and permit mandates were imposed on ever more occupations and activities. The state's alcohol regulatory regime encourage both a distribution monopoly and price controls, leading to higher prices. In 2008, Michigan handed a virtual monopoly to big utilities while slapping a costly 10 percent "renewable energy" mandate on electricity generators — a double-whammy of inefficiency for consumers. Michigan is now one of the most regulated states when it comes

to employment and has the highest electricity costs in the Midwest.

In 2010, Republicans were swept into office promising reform, taking the state House and governorship and expanding their majority in the state Senate. Over the next two years, the Legislature passed collective bargaining reforms for

See "New Legislature," Page 8

Michigan May Send Film Credits to the Cutting Room Floor

BY TOM GANTERT

House Minority Leader Tim Greimel, D-Auburn Hills, is calling for $12 million to be restored to the $50 million originally appropriated for film production subsidies in the current year. The money was cut by an executive order signed by Gov. Rick Snyder.

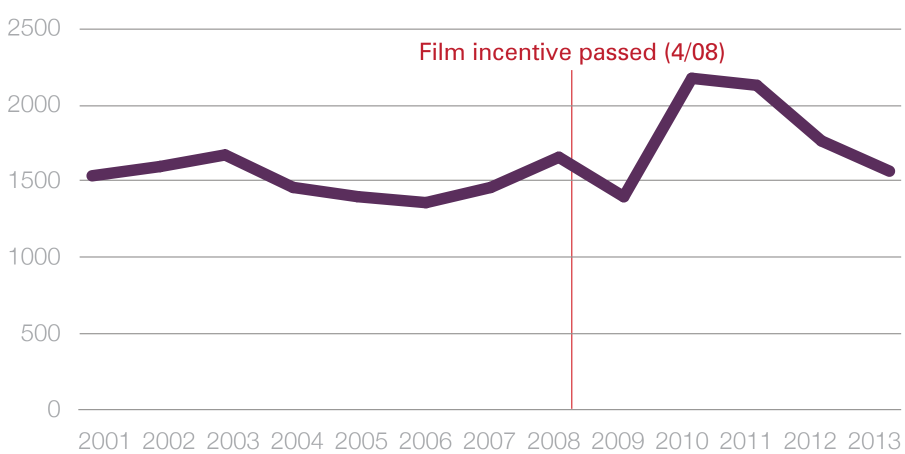
The news site MIRS reported that Greimel's spokeswoman Katie Carey said the film credit program "has been a good job creator for the state."

"I think if you did an investigation of all the tax credits, you'd find that with the film credits, that's one of the areas that has been a big boon for the state of Michigan for both job creation and economic vitality for local communities," Carey told MIRS.

However, the Bureau of Labor Statistics doesn't back up Carey's claim.

According to the BLS, there were 1,537 "motion picture and video production jobs" in 2001 and 1,561 of those jobs in 2013, the latest year data is available (see image nearby). The state has spent $494.4 million on the film credit program from 2008 through 2014.

Film Jobs in Michigan



Source: Bureau of Labor Statistics

The governor's order to cut the $12 million from the film production subsidies was issued in response to an unexpected hit to state fund balances caused by higher-than-expected payouts to some corporations granted long-term tax credit deals, mostly under the previous administration. The order included some other modest cuts and was quickly given the required approval by the Legislature's appropriation committees.

Meanwhile, state Rep. Dan Lauwers, R-Brockway, has introduced House Bill 4122 to end the film subsidies. The Michigan Chamber of Commerce also called for the state to end them.

"This boondoggle currently costs Michigan taxpayers $50 million a year and even the state's own economic development agency (MEDC) reported this costly subsidy failed in 2013 to create one permanent job," said Tricia Kinley, senior director of tax and regulatory reform at the chamber, in a press release. "The time to end this wasteful spending is long overdue and we are urging the Legislature to take immediate action."

Film credits, and industry-specific subsidies and tax breaks in general, erode the tax base and force the overall tax rate on everyone else to be higher, said Liz Malm, an economist with the Tax Foundation.

"An ideal tax system is one that has a broad base — that is, taxes everyone — so that rates can be lower for everyone. The tax code shouldn't favor one industry," she said in an email.

Greimel's office didn't respond to an email seeking comment. ■

The original version of this story was posted online on Feb. 23, 2015. It is available with hyperlinks and more info at MichCapCon.com/21016.

Huron County Looks at Wind Turbine Moratorium

BY JACK SPENCER

There are 328 wind turbines in Huron County, which is more than in all of Michigan's other counties combined. But now the county appears poised to say: "Enough is enough."

With a 6 to 1 vote on Dec. 30, the Board of Commissioners agreed to pay up to $1,000 for Foster Swift, a Grand Rapids law firm, to draft a moratorium on wind energy.

John Nugent, a member of the board, said the board wants to at least push the pause button on new wind energy development so it can reevaluate the situation.

"Huron County is large and primarily rural," Nugent said, "The people who live here have now had a chance to experience the presence of wind turbines up close. We are not necessarily saying that no more wind turbines should be built or even necessarily where they could be built. We're saying we need to pause and examine the potential for damage and decide if it is time for a rewrite (of the county's zoning ordinance). That would be the purpose of the moratorium."

"This is a multi-faceted issue," Nugent said. "Concerns include ultrasound, flicker, lights and various things that potentially have negative impacts on health. But those aren't the only issues. Developers are now talking about placing some wind turbines within three miles of the shoreline, so the environment, migratory birds, forests and shorelines are issues as well. People certainly have a right to have their own property developed; we don't want to intervene or interfere with that; but as the saying goes — 'A person's right to swing his fist ends where another person's nose begins.'"

Huron County has been contacted by the U.S. Fish and Wildlife Service, which has recommended that if the county rewrites its ordinance, it should prohibit new turbines within three miles of the shoreline.

The proposed action in Huron County would be similar to what has occurred in Ohio, where the state has enacted what amounts to a moratorium on wind energy development, so that it can revisit the issue of renewable energy mandates. In addition, Ohio has eliminated the requirement that only energy produced "in-state" can satisfy the mandate. It has also tightened its safety regulations covering energy safety.

Michigan's renewable energy mandate requires that 10 percent of the state's energy be produced by in-state renewable sources by 2015. In practical terms, "renewable sources" means wind turbines.

The rationale for the mandate is to reduce carbon emissions, though the experience of Germany, which has an ambitious target for wind energy production, suggests that it may increase them. The law that established the mandate in Michigan, PA 295 of 2008, did not require that its impact on emissions be measured. The Legislature is scheduled to review the mandate this year.

According to Kevon Martis, director of the Interstate Informed Citizens Coalition (IICC), a non-profit organization that is concerned about the construction of wind turbines in the region, state lawmakers and officials in other Michigan communities should pay attention to what's happening in Huron County.

"There are many reasons Huron County is pursuing this moratorium but one reason is certainly this: Since PA 295's adoption in 2008, Huron County politics — like its once-pristine rural landscape — has been dominated by three things: turbines, turbines, and more turbines," Martis said. "Huron County commissioners have conceded that their wind energy noise regulations are so poorly constructed that they are essentially unenforceable. A moratorium is a very wise step, as it will protect the residents who are currently subject to this deficient county zoning from any new wind development. That the 'wind capital' of Michigan is making a move like this should be a stark warning for Lansing legislators. Turning entire counties into power plants may turn out to be the greatest failed social experiment of our time."

Geronimo Energy, which could be the wind developer most immediately affected by a moratorium, did not respond to a request for comment. ■

The original version of this story was posted online on Jan. 6, 2015. It is available with hyperlinks and more info at MichCapCon.com/20872.

How Wind Energy Creates More Dependence on Fossil Fuels

BY JACK SPENCER

Truth has a habit of emerging from unexpected places. An article in the Daily Kos about the desire to end dependence on fossil fuels for energy needs reveals a "nasty little secret" about wind energy: It relies on fossil fuels. That's a message wind energy opponents in Michigan have been trying to get across to the news media and the public over the past few years.

The article is part of a series titled "Getting to Zero," by Keith Pickering, and is written with the premise that global warming is a dire and immediate threat. It states, "If civilization is to survive, we need to get to zero emission of fossil carbon, and we need to get there rapidly." Overall it paints a pessimistic portrait of efforts to reduce carbon emissions from human sources.

A major aspect of the article's pessimism about actually "getting to zero" pertains to wind energy. The following paragraphs serve as an example:

> Wind farms are dependent on the weather to work, and most of the time they're sitting idle or underperforming because the wind isn't strong enough to turn the blades. The capacity factor (CF) for wind varies by location, but Iowa is pretty good, so let's assume a CF of 35 [percent]. Nuclear has no such dependency and can operate around the clock.
>
> In the [U.S.], nuclear plants have an average CF of 90 [percent].
>
> So when we factor CF into those prices ... most of wind's advantage is wiped out by just that factor alone.
>
> Over the long term it gets even worse for wind, because nuclear plants today are engineered for a 60-year lifetime, and wind generators are engineered for a 20 or 25 year lifetime. ... That means that wind is cheaper than nuclear in the short term, but more expensive in the long term. Then there's the backup problem. ... When the wind dies, the lights still have to stay on. Right now that's done with natural gas. ..."

According to Kevon Martis, director of the Interstate Informed Citizens Coalition, a non-profit organization concerned about the construction of wind turbines in the region, what the Daily Kos article shows is that people knowledgeable about the technology understand that wind energy depends more on fossil fuels than on wind, no matter their views on contentious issues like global warming.

"Any informed student of wind energy, regardless of whether they are on the left or the right politically, understands that, far from freeing Michigan ratepayers from fossil-fueled electricity, wind energy actually binds us to fossil fuels at roughly a two-parts-fossil one-part-wind ratio," Martis said. "Properly understood, wind energy should always be called 'fossil-wind.' What's sad is that the vast majority of Michigan residents and probably members of the news media as well are not aware of this information. That situation needs to be remedied."

In its assessment of wind energy, the Daily Kos article states: "Wind-plus-gas-backup is certainly better than gas alone, but it's not the endpoint of a fossil-free grid, and it never will be."

One of the strongest arguments against wind energy is the assertion that "natural gas alone" would produce fewer emissions than when it is combined with wind. That's because having to switch natural gas generation on and off, literally at the whim of the way the wind blows, is less efficient and therefore less clean.

However, a news media and public that mistakenly believe wind energy is just wind, rather than two-thirds fossil fuels, cannot be expected to comprehend or participate in such a debate. Restricting important facts or (as some still insist) "alleged facts" about wind energy to the province of "experts only" is an affront to transparency and an obstacle to open public discourse. The Legislature owes the people of Michigan a hearing or series of hearings on this issue.

David Wand, deputy director of strategic communications with the American Wind Energy Association, did not return a phone call offering him the opportunity to comment. ■

The original version of this story was posted online on Mar. 2, 2015. It is available with hyperlinks and more info at MichCapCon.com/21057.

Property Seized, Money Taken – No Charges Filed

BY ANNE SCHIEBER

Wladyslaw "Wally" Kowalski is a Ph.D. design engineer who lives in Van Buren County. In September, Kowalski came home to find his residence surrounded by police armed with a warrant. Officers searched the home and then hauled away his power generator and many expensive tools. They also froze his bank accounts, leaving Kowalski unable to pay his bills, student loan installments and taxes.

Last November, state police raided the home of southwest Michigan resident Thomas Williams. The rural resident spent 10 hours in handcuffs while officers searched his property. When they departed they took his car, television, phone and some emergency cash.

In both cases, neither Michigan resident was ever convicted or even charged with a crime. But law enforcement is still holding on to their property. They are able to do so because of a little known part of the criminal system called civil asset forfeiture.

The U.S. Constitution says that no one shall be deprived of their property without due process. But civil asset forfeiture is a legal tool by which law enforcement can seize property they claim to suspect has been involved in criminal activity.

Traditionally in Michigan, criminal fines were allocated to libraries, in part to avoid creating incentives that skew law enforcement more toward generating revenue than public safety. Asset forfeiture, however, is different. As a 2010 report from the Institute for Justice explained, "Law enforcement receives all proceeds of civil forfeiture to enhance law enforcement efforts, creating an incentive to pursue forfeiture more vigorously than combating other criminal activity."

Those incentives contributed to more than $250 million in total forfeiture revenue being collected in Michigan since 2000. Reports from law enforcement agencies here show they collected over $20 million last year.

This has contributed to asset forfeiture becoming a revenue source for law enforcement agencies and big business in Michigan. Maj. Neill Franklin, a 34-year law enforcement veteran who led a drug enforcement team for the state police in Maryland, called the practice "extortion."

"Today we're taking property from people across this country and not charging them with crimes because we have no evidence on them that they are committing crimes," said Franklin, who now serves as the executive director of LEAP (Law Enforcement Against Prohibition).

Williams, a retired home remodeler and grandfather, had no other means of communication besides what the police seized. He was stranded for three days.

Kowalski is a lighting design engineer who has written a number of manuals and textbooks on the use of ultraviolet light in the control of airborne disease, including work on bio-weapon defense systems for things like anthrax.

Both men are medical marijuana users and believe they were targeted because of aggressive policies by a multi-county drug enforcement unit run by the Michigan State Police. There are 28 such task forces in Michigan and the Southwest Enforcement Team, which was involved in these raids, is the largest collector of seized property outside the Detroit area. The commander of the unit, Lieutenant Wayne Eddington did not discuss these specific cases, but said he believes people are trying to profit from medical marijuana, thinking the law will protect them.

"You have people coming from out of state who aren't even Michigan residents that will buy a home strictly to grow marijuana and traffic it out of state where marijuana is completely legal," Eddington said.

The summons and complaint in the Williams case and the petition for seizure order in the Kowalski case give some clues to what triggered these particular raids and seizures of property. The case against Williams

Watch Wally's story and many more videos just like it on our Youtube channel: Youtube.com/MackinacCenter.

describes an earlier raid on a marijuana dispensary in Battle Creek, one hour from his home.

"I used to run a compassion club (there) three years ago and somehow they got my name off a piece of paper from when I rented the building and they took it to the judge and said I was (an) agent for a dispensary and they got a warrant to raid my house," Williams said.

In the summons and complaint, which describes a sting of the dispensary, there is no mention of Williams engaging in illegal distribution. In fact, one witness stated that he "had turned the business of the Battle Creek Compassionate Center over" to Mr. William's son and the witness and the father had nothing to do with the dispensary for months.

See "Property Seized," Page 14

Awarded Millions, Wind Turbine Company Defaults on State Loan

BY TOM GANTERT

In 2009, Ventower Industries issued a press release with the headline, "Another ARRA Success Story — New Funds Mean More Jobs in Monroe."

The news was that Ventower, which was supposed to make wind turbine towers and bases, had been given $2.5 million by the federal government under the American Recovery and Reinvestment Act, or the "stimulus" package.

U.S. Congressmen John Dingell called it a "watershed moment."

In 2010, the News Herald newspaper in Southgate called Ventower Industries "another successful project funded by the American Recovery and Reinvestment Act" because it had received a $2.3 million grant and $1.2 million loan from the state of Michigan.

Yet, five years later, the state has said little about the project, and those "success" claims remain unsubstantiated.

The only official information is a 2014 state report stating that as of Sept. 31, 2013, Great Lakes Towers, doing business as Ventower Industries, completed construction of a factory in Monroe to build commercial wind turbine towers. The only other information revealed by the one paragraph update was that the company was in default on the loan and had qualified for benefits offered by three other state programs.

An earlier 2009 Michigan Economic Development Corporation (MEDC) report had boasted that Ventower was expected to create 152 jobs.

James Hohman, assistant director of fiscal policy at the Mackinac Center for Public Policy, said there are no state reports that give information on how many jobs Ventower Industries has created.

Ventower Vice President Scott Viciana didn't return an email seeking comment.

Hohman said when evaluating how effective the MEDC's incentives are, people shouldn't have to contact companies to get information. That type of data should be provided by the MEDC.

"All the state is reporting is that, 'We awarded them money.' And that's it," Hohman said.

Hohman believes the MEDC should have to disclose how many jobs were actually created by companies receiving taxpayer subsidies, and how much money the state handed over for those jobs.

Mike Shore, spokesman for the MEDC, didn't return an email seeking comment.

The information blackout may lift a bit in the future if a recently enacted MEDC transparency law works as intended. House Bill 4480 received nearly unanimous votes in the House and Senate and was approved by Gov. Rick Snyder on Jan. 10. The bill was sponsored by Rep. Tom Leonard, R-Lansing. Kaylee Mead, a legislative aide for Leonard, said it requires the agency to make this kind of information "more accessible" through a more comprehensive annual report and periodic updates to an online database. Mead said the bill does not necessarily require that more information be included in the reports, however. ■

The original version of this story was posted online on Jan. 15, 2015. It is available with hyperlinks and more info at MichCapCon.com/20902.

INFLATING PENSION

from Page One

pension fund contributions it makes on his behalf suggest — this would greatly increase Cook's annual pension payout. Cook spent 15 years in the Lansing School District as a paraprofessional.

In 2014, the Lansing School District contributed $51,976 on Cook's behalf to the public school employee retirement plan, called Michigan Public School Employees Retirement System (MPSERS). In 2013, the average salary for a Lansing School District teacher was $64,814. The annual contribution to MPSERS by the district for a teacher of that salary would be $16,709.

The arrangement by which the district makes pension contributions based on Cook's six-figure MEA salary has been in place for at least four years.

The Lansing School District answered some basic questions about Cook's arrangement with the district but refused to answer more detailed follow-up questions.

Robert Kolt, a spokesman for the district, said he had "already responded to your questions." He added, "There is no reason for you to continue to ask the same questions again and again; you have answers. There is no need for you to email again."

Yvonne Caamal Canul, district superintendent, was asked to explain the responsibilities that Cook has as an "educator on loan."

"Mr. Cook's responsibilities are determined by the organization to which he is being loaned," Canul said in an email.

But the responses and refusals leave many questions unanswered. Cook was employed by the district as a "paraprofessional" (classroom assistant) for 15 years. He served as the president of the Lansing assistants union from 1981 to 1993. Cook became the secretary-treasurer of the MEA in 1991.

It is unclear how long Cook has been an "educator on loan" with the school district. It's also unclear how the school district handled Cook's involvement with the MEA.

The Michigan Education Association has not responded to emails or a phone message asking for comment on Cook's arrangement.

Also unclear is whether any other public school district has ever "loaned" an employee to a private entity, as happened in this instance.

Bill DiSessa, spokesman for the Michigan Department of Education, said they use an "educator on loan" occasionally.

"Typically, we borrow an educator with the expertise we want for a special project. That educator remains employed at his or her district and retains their longevity and seniority. We reimburse the district for their costs. When the project is done, the educator returns to their district," DiSessa said in an email.

"We use this process occasionally. Local districts and ISD also make use of this process, though we keep no data on it. It can be a win-win. For instance, if District A loses a teacher to maternity leave and District B has an under-used teacher, that teacher can help out temporarily in District A until its teacher returns from leave. This is just one example," DiSessa said. ■

The original version of this story was posted online on Feb. 26, 2015. It is available with hyperlinks and more info at MichCapCon.com/21047.

TEACHER HUMILIATED

from Page One

When she objected, she said Harper Creek Education Association Co-President Cynthia Fredenburg leaned over and said into her ear, "Take my advice. Pay your dues or we will sue you."

Fredenburg didn't respond to an email seeking comment.

MacKenzie said she has been a union member since 2006 and never had an issue with the union or a need for its services.

"I was a good member. I went along," she said. "I didn't know all the rules. I thought my relationship with the union was really, really good."

That changed when MacKenzie tore up the e-dues deduction card.

She said that Fredenburg told her she was a non-member at that point, and over the course of the next two years told MacKenzie that she wouldn't be privy to certain information because she was no longer a member.

MacKenzie said she had no knowledge of the August opt-out window. That's the only month the MEA allows its members to opt-out. This "August window" was declared illegal by a judge and is being disputed in court.

She said she knew something was wrong in September of 2013, when she received a letter from a collection agency about her non-payment of union dues.

In the lawsuit, MacKenzie said that Fredenburg showed up during her class and handed her a union letter regarding her nonpayment. MacKenzie said her students wanted to know what was in the letter. MacKenzie said she told them, "Oh. It's just a letter."

But the special education teacher says she feels intimidated in her work place.

"It is kind of overwhelming," MacKenzie said. "I feel humiliated. I'm feeling embarrassed. I think they thought I was just going to roll over and take it. It's about them demanding bank information. If they can demand this information, what is next?"

MacKenzie feels her union deliberately kept her in the dark about what her rights were as a member, including what her options were in leaving the union.

"A lot of people don't know what is going on," she said.

Derk Wilcox, a lawyer for the Mackinac Center for Public Policy, said the MEA has a legal duty to be fully open and honest with the people it represents.

"It has to provide the teachers with the complete information the teachers need to make decisions — even if providing that information isn't in the MEA's financial interest," Wilcox said. "The MEA hasn't been forthcoming, and the teachers have been hurt by this. … What we are seeing with Ms. MacKenzie is what we are hearing from teachers all over the state." ■

The original version of this story was posted online on Feb. 6, 2015. It is available with hyperlinks and more info at MichCapCon.com/20972.

NEW LEGISLATURE

from Page Five

government employees, enacted education reforms that loosened teacher tenure laws and expanded school choice, cut business taxes, and scaled back some of the corporate welfare. Lansing mostly held the line on spending, eliminated project labor agreements that increase the cost of government construction, ended forced unionization schemes, required public employees to pay more for their health care and shored up their pension system.

The icing on this reform cake came at the end of the term, when Michigan became the 24th right-to-work state.

Voters returned the GOP to power in 2012, despite President Obama winning Michigan by 9.5 points. In the same election, voters defeated a series of ballot proposals that would have expanded government and union power.

But over the next two years, as the economy turned around, many legislative actions fell short of the limited government approach. The Legislature expanded a poorly performing welfare program by passing the Obamacare Medicaid expansion. The good news was, for the first time in a generation a governor and Legislature seriously engaged the problem of Detroit's finances rather than "kick the can down the road." The bad news was, taxpayers were forced to bail out Detroit while city governance reforms were watered down. Corporate welfare schemes were renewed and expanded at a cost of about $300 million per year, and $50 million in annual film subsidies continue flowing down the drain. State spending increased by $2.7 billion. And the Legislature decided to place a proposal on the May 5 ballot that would raise $2 billion in new tax revenue while giving Michigan the second-highest sales tax in the nation.

The new Legislature has a choice in the path it wants to take. It should embrace and promote free enterprise and fiscal responsibility over the next two years.

Pass pension reform that would finally stop the unfunded liabilities from weighing down Michigan. Go through with the income tax relief that was previously promised. Save money by eliminating arbitrary prevailing wage laws and central planning programs. Eliminate licensing and regulatory barriers that unnecessarily impede entrepreneurs. Enforce the right-to-work law that is being ignored by school districts and unions across the state. Pass budgets that put taxpayers and citizens above the system.

Early indications show a House and Senate willing to tackle some of the tougher reforms. The House GOP "action plan," which lays out legislative priorities for the body, is excellent and would provide real reform.

But now the governing begins, and voters should be watching the Legislature to see which philosophy it decides to embrace. ■

The original version of this story was posted online on Feb. 7, 2015. It is available with hyperlinks and more info at MichCapCon.com/20975.

How Michigan Blew a Hole in its Budget

Handing out taxpayer dollars to large corporations was a bipartisan effort

BY TOM GANTERT

Companies cashing in special tax credits have caused the state to bring in a projected $454.4 million less than previously expected. Here's the history and problems with the program.

Michigan House Democrats recently issued a press release that vilified corporate tax subsidies the state of Michigan has been giving out for 20 years and pinned the blame on Republicans.

The press release called the tax subsidies given through the Michigan Economic Development Corporation "disastrous" and House Democratic Leader Tim Greimel said the policy not only doesn't work, "but is downright dangerous."

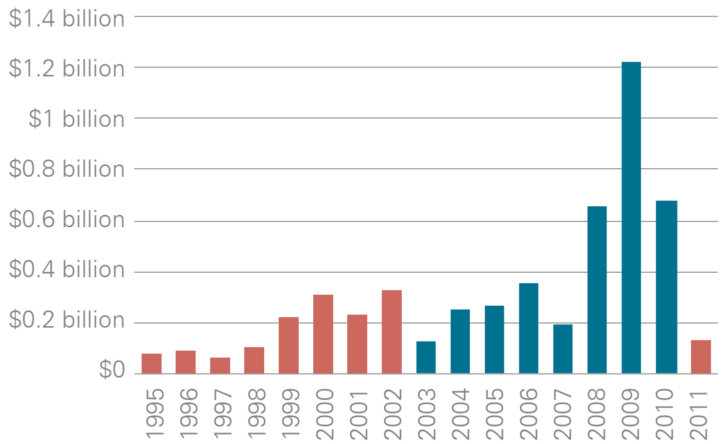
"Republicans have allowed the MEDC to become a runaway organization that is devastating the state's financial health, while not holding it accountable for creating more jobs," House Democratic Floor Leader Sam Singh said in the press release.

What the Democrats failed to mention was that Democratic Gov. Jennifer Granholm created a press-release economy based on the MEDC's "corporate giveaways."

Giving selective corporate tax credits was a program started under Republican John Engler's administration in 1995, and greatly expanded by Granholm in her eight year tenure as governor.

Called the Michigan Economic Growth Authority (MEGA) program, during its first 13 years, 1995 to 2007, the state of Michigan made 358 deals and awarded an estimated $2.6 billion in tax subsidies to corporations.

Value of MEGA Credits Approved



Source: Michigan Economic Development Corporation

In the three-year period from 2008 to 2010 the state made 320 deals and awarded an estimated $2.5 billion in tax subsidies. The MEGA tax credit was discontinued in 2011, but the state is on the hook for paying out tax credits for up to 20 years. Gov. Rick Snyder has kept the policy of awarding tax subsidies alive via other state incentive programs.

State agencies attempt to project every year how much of these long-term tax credits will be redeemed by the selected companies in any given year. The state expects much larger payments in the current 2015 fiscal year and 2016.

The state says it pays about $300 million a year in MEGA payments to companies. Higher numbers are projected in the future but it's not clear how much higher.

"Sending taxpayer money to large business projects has been a bipartisan affair," said James Hohman, assistant director of fiscal policy at the Mackinac Center for Public Policy. "It is unnecessary and unfair."

Greimel didn't return an email seeking comment. ■

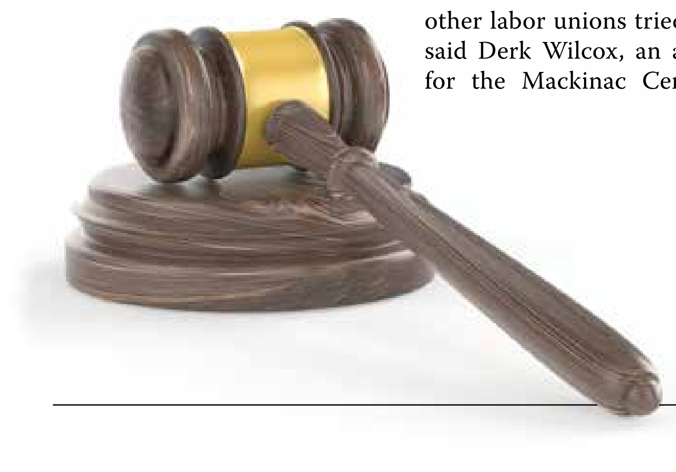
The original version of this story was posted online on Jan. 20, 2015. It is available with hyperlinks and more info at MichCapCon.com/20915.

Court of Claims Tosses MEA's Right-to-Work Lawsuit

BY TOM GANTERT

The Michigan Court of Claims dismissed a lawsuit by the Michigan Education Association that claimed the State Legislature violated the Open Meetings Act when they passed the right-to-work law in 2012 while the Capitol building had been closed for a time due to protesters.

Judge Deborah A. Servitto made the ruling Friday.



The judge's ruling stated: "The temporary cessation of admission to the Capitol building did not impair the rights of the public as a whole. The public and the media were present in spite of the closure and were able to observe directly and through media coverage." The ruling also stated that the right-to-work bill was not passed while the Capitol building was closed.

"It is amazing what Steve Cook of the MEA and the other labor unions tried to do," said Derk Wilcox, an attorney for the Mackinac Center for Public Policy. "What the court found was that the union protesters pushed past guards, trespassed through windows, and impeded the evacuation of someone who needed medical attention. Because of this the state police closed the Capitol building once it was already full. That the protesters did this to block legislation that they didn't like was bad enough, but then trying to invalidate the legislation because of the problems they caused is even worse. They tried to exercise a 'rioters' veto' over the legislative process. The court saw through this and summarily dismissed the unions' claims."

The Michigan Education Association didn't respond to a request for comment. The Michigan State AFL-CIO, Michigan Building & Construction Trades Council, AFL-CIO and Change To Win were also plaintiffs.

The court found that on Dec. 6 at about 12:05 p.m., the state police ordered the Capitol building closed. A group of protesters had pushed past uniformed state police officers and Capitol security. Troopers used pepper spray to try to keep control. Eight people were arrested. The state police were worried people could get trampled, or fall over the railing in the rotunda or the protesters would forcibly take control of the House and Senate chambers. At 12:30 p.m. the state police received more reports of protesters trying to rush the Senate chamber. At 1 p.m., there was a medical emergency involving a woman outside the Senate chamber. But access to her was impeded by protesters, the court found. The woman was transported across the Senate floor because a large number of people were blocking access to the Senate chamber. At 2:45 p.m., police were told that protesters were trying to get into the Capitol from the ground-floor windows. At 4:38 p.m, the Capitol was reopened. The right-to-work law was passed at 7:30 p.m.

"This frivolous waste of union members' hard-earned dues money was a futile attempt to turn back the clock to the now-discredited practice of discriminating against and firing employees who choose not to join or financially support a private labor organization," said Rep. Gary Glenn, R-Midland, in a press release. "Hopefully, the judge's dismissal puts an end to union officials' misguided attempt to strip employees of their individual freedom and rights of conscience on the job." ■

The original version of this story was posted online on Feb. 9, 2015. It is available with hyperlinks and more info at MichCapCon.com/20981.

MSU Study: Ethanol Use is Good, as Long as the Environment isn't Considered

BY JACK SPENCER AND JARRETT SKORUP

A new study released from Michigan State University found substantial reductions in greenhouse gas emissions due to ethanol fuel use in Michigan.

To reach this conclusion, however, the study's authors simply and admittedly decided not to take into account the number one reason critics of ethanol fuel use argue that it is bad for the environment.

Justification for the study leaving out what may be the most significant negative aspect of ethanol fuel use is partially explained in a statement offered by MSU spokesman Jason Cody.

"The study was not directly about whether ethanol is good for the environment," Cody said. "The question was whether or not the use of corn-based ethanol in gasoline reduced greenhouse gases relative to gasoline alone. The answer is yes, by about a million tons per year of carbon dioxide emitted in Michigan."

This apparent disclaimer — "the study was not directly about whether ethanol is good for the environment" — is not found in the study summary; not mentioned in the press release announcing the study; and does not appear to have been mentioned in any news media coverage of the report.

News accounts of the study say only that it claims ethanol use in Michigan is reducing greenhouse gas emissions. For example, Michigan Radio (the state affiliate of NPR) headlines its piece "MSU study credits ethanol with reducing greenhouse gases." Nothing is reported about the fact that the study doesn't address the issue of whether or not ethanol is good for the environment.

The study, "Greenhouse Gas Reduction in Michigan Due to Ethanol Fuel Use," was written by Bruce Dale and Segundo Kim, professors in the Department of Chemical Engineering & Materials Science. It was released in the midst of an ongoing political battle over whether or not ethanol should be considered an acceptable renewable energy source.

Environmental Working Group study found that from 2008 to 2011 — the same period of time in which corn used for ethanol more than doubled — more than eight million acres of grassland and wetlands were converted for corn alone; plowing up these acres of land releases millions of tons of carbon into the air, contributing to our warming planet.

Image via Dominik Fisch at Wikicommons.

What is also not mentioned in many media accounts is that MSU has a joint project with the University of Wisconsin called the Great Lakes Bioenergy Research Center, created with a $125 million grant from the U.S. Department of Energy.

Many experts argue that substituting ethanol for gasoline is counterproductive from an environmental standpoint. The chief reason for this is indirect land use change (iLUC), which occurs when natural ecosystems are altered or compromised to produce crops that are converted to ethanol. Critics of ethanol fuel use point out research showing that, due to iLUC, the very production of ethanol results in a net increase in greenhouse gases as well as other negative impacts on the environment and the economy.

"It is now clear that the federal corn ethanol mandate has driven up food prices, strained agricultural markets, increased competition for arable land and promoted conversion of uncultivated land to grow crops," said Emily Cassidy, a research analyst with Environmental Working Group, a nonprofit environmental research organization based in Washington, D.C. "In 2012, an

"The paper authored by Seungdo Kim and Bruce Dale conveniently ignores these emissions from land conversion which drastically underestimates corn ethanol's climate impact," Cassidy continued. "By ignoring these emissions, the researchers are concealing the true environmental impact of corn ethanol. In fact, the Environmental Protection Agency's own Regulatory Impact Assessment found that the corn ethanol produced today emits 30 percent more carbon than gasoline. The same document found that corn ethanol will be worse for the climate than gasoline until at least 2036."

Though the study's summary failed to note that it doesn't address whether or not ethanol is good for the environment, both the summary and the introduction clearly state how the study addressed the iLUC issue: It addressed it by ignoring it.

Here's what the authors of the study said in the introduction:

> iLUC cannot be measured directly; instead iLUC has been

See "MSU Study," Page 12

The Facts on Electricity Choice

DR. THEODORE BOLEMA

Electricity choice in Michigan is under attack again this year. The two big utility companies are investing heavily in an advertising campaign and contract research. Ultimately, they'd like to eliminate market competition and force all consumers to buy only their electricity. The facts are, however, that electricity choice in Michigan has a track record of driving down rates, and electricity consumers will be worse off if the state enlarged the utilities' monopoly.

Michigan first authorized a choice program with Public Act 141 of 2000. At the time, Michigan's electricity rates were higher than the national average and higher than any nearby state.

Great Lakes States by Electricity Rates, 2000

1.	**Michigan**	**7.11**
2.	Illinois	6.94
3.	Ohio	6.41
4.	Wisconsin	5.71
5.	Indiana	5.18
	U.S. Average	**6.81**

Source: Energy Information Administration, Form EIA-861

Michigan soon saw the benefits of its choice program. Over the next eight years, electricity rates rose nationally, but less in Michigan compared to the Great Lakes states and the country as a whole. By 2008, the last year in which Michigan had a full choice program, Michigan rates were more competitive with rates in nearby states and had dropped below the national average.

Michigan's choice program was largely ended in 2008. A new law capped choice at 10 percent of electricity sales, so the big utilities were guaranteed 90 percent of the electricity market. The cap was filled in only a few months, and today electricity consumers seeking an alternative to the utilities were placed on a waiting list. Currently almost twice as many customers are seeking alternative electricity providers than are participating in the choice program.

Great Lakes States by Electricity Rates, 2008

1.	Illinois	9.23
2.	Wisconsin	9.00
3.	**Michigan**	**8.93**
4.	Ohio	8.39
5.	Indiana	7.09
	U.S. Average	**9.74**

Source: Energy Information Administration, Form EIA-861

Great Lakes States by Electricity Rates, 2014

1.	**Michigan**	**11.11**
2.	Wisconsin	10.74
3.	Ohio	9.64
4.	Indiana	8.97
5.	Illinois	8.87
	U.S. Average	**10.45**

Source: Energy Information Administration, Form EIA-861

Michigan rates quickly became less competitive after the cap was imposed. By 2009, Michigan had soared back above the national average. Michigan electricity customers now pay more than customers in any of the surrounding states, and 6 percent more than the national average. Today Michigan residents, employers, and the state economy as a whole are paying a high price for protecting the monopoly status of its large utilities. ■

The original version of this story was posted online on Feb. 24, 2015. It is available with hyperlinks and more info at MichCapCon.com/21019.

Taxpayer Cost for Road Fix 'Compromise' Went from $0 to $1.9 Billion

Deal includes sales tax increase, $700 million more for non-road spending

BY TOM GANTERT

The Michigan Senate's plan to find more money for road repairs was a $1.2 billion gas and diesel tax increase.

The State House's response was to shift some current state tax revenue to roads, with no net tax increase.

Leaders from both sides came up with a "compromise," which was adopted in the predawn hours of Dec. 19: Increase state taxes and spending by $1.9 billion, of which just $1.2 billion goes to fix the roads, and the rest for other areas.

"It appears that everyone was at the table negotiating except the taxpayers," said Leon Drolet, chair of the Michigan Taxpayers Alliance. "And the deal reflects that."

The latest round of efforts to find more money to "just fix the roads" began on Nov. 13 when the Senate passed its plan to increase gas and diesel taxes by that $1.2 billion over six years, with no reduction in other state taxes or spending.

Three weeks later, the House approved a comparable fuel tax hike, but with the increase offset by no longer imposing sales tax on fuel purchases. This would have increased road funding with no net increase in taxes.

According to Gongwer news, House Speaker Jase Bolger said, "It takes two to compromise, and while I'm ready to compromise, it will take all parties to come to the table…"

The "compromise" that was adopted is a ballot proposal that represents a net tax hike of $1.945 billion, of which some 38 percent goes to spending that is unrelated to roads.

According to the House Fiscal Agency, $300 million of the tax increase will go to public schools, $95 million to local government revenue sharing and an additional $130 million in subsidies to local bus agencies. Another $260 million will be used for payments to low-income wage earners, a concession added to get votes from Democratic lawmakers, said Jack McHugh, legislative policy analyst for the Mackinac Center for Public Policy.

However, there's a catch: The deal also includes an increase in the state sales tax from 6 percent to 7 percent, which must be approved by voters May 5, 2015. If voters say "no" then none of the above will go into effect. Lawmakers will have to start over.

The deal also includes a measure imposing sales tax on purchases from out of state internet and catalog sellers with Michigan-based affiliates, the so-called "Amazon tax." This is not contingent on the ballot initiative passing, and is projected to extract an additional $60 million annually from Michigan retail customers.

A House Fiscal Agency summary breaks the deal down as follows:

- Sales tax increase (requires voter approval): $1.342 billion
- Internet sales ("Amazon") tax: $60 million
- Net increase in tax on fuel purchases ($1.200 billion fuel tax hike, offset by a $752 million sales tax exemption for fuel purchases) : $448 million
- Increase in vehicle registration taxes: $95 million

Net tax hike: $1.945 billion.

The State of Michigan's total budget, including federal money, has increased $4.5 billion in two years from $47.8 billion in 2012-13 to $52.3 billion in 2014-15. Excluding federal money, state spending from state taxes has risen from $27.8 billion in the fiscal year that ended Sept. 30, 2013 to $30.0 billion in the current fiscal year.

Under the package the House and Senate have passed, that amount would increase by $1.945 billion, but only if voters approve a sales tax increase on May 5, 2015. If voters decline, none of the other tax and spending increases will go into effect either (except for the "Amazon tax" on internet purchases).

"The one silver lining from this deal is they force this on the ballot," Drolet said. "It gives citizens a chance."

Gov. Rick Snyder, Senate Republican Speaker Randy Richardville and House Republican Speaker Bolger all praised the tax hike in a press release.

"I'm pleased that even with this compromise, the key principles the House Republicans fought for remain intact," Bolger said in the press release. "It was vital to us that all taxes paid at the pump go to roads, because that was the structural flaw that led to this problem. We also have an opportunity to once again significantly reduce the state's debt so that we aren't leaving our kids and grand kids with unpaid bills. I wish we could have achieved all of this legislatively, but that is not legally possible. Dedicating the taxes paid at the pump to fixing roads while protecting the revenue streams to schools and local governments is only possible with the 7 percent sales tax option, and that option requires a vote of the people." ■

The original version of this story was posted online on Dec. 22, 2014. It is available with hyperlinks and more info at MichCapCon.com/20848.

More Jobs, Higher Pay Since Right-to-Work Passed in Michigan

BY TOM GANTERT

Since its right-to-work law took effect, Michigan has experienced the nation's sixth-largest growth in the number of people working, adding 141,990 jobs from March 2013 through December 2014, according to the federal Bureau of Labor Statistics.

California saw the largest increase during that span, adding 603,174 jobs.

On a percentage basis, Michigan employment grew 3.3 percent, ranking 15th overall in the nation. North Dakota held the top spot, growing its workforce by 5.4 percent.

Michigan had 4,294,532 jobs in March of 2013, a number that increased to 4,436,522 in December of 2014.

The data on jobs comes from the monthly Current Population Survey (CPS), also known as the household survey.

Unions and their allies have criticized Gov. Rick Snyder for signing right-to-work into law, claiming it has not helped the state.

"Gov. Snyder can't point to a single job that has been created by right-to-work since it's been implemented," said Lonnie Scott, executive director of Progress Michigan, in a press release.

However, James Hohman, assistant director of fiscal policy at the Mackinac Center for Public Policy, said not only has there been an increase in employment since right-to-work was passed in Michigan, but incomes in the state have grown.

Since right-to-work became effective, average weekly earnings increased 5.4 percent, faster than the national increase of 3.7 percent. Weekly wages were $773.60 in Michigan in March 2013 and rose to $815.71 in December 2014.

"Michigan's economy is moving in the right direction and right-to-work continues to be a positive for the state," Hohman said. "The extreme warnings from union partisans about the law have fallen by the wayside as Michigan adds more good-paying jobs." ■

The original version of this story was posted online on Mar. 3, 2015. It is available with hyperlinks and more info at MichCapCon.com/21061.

RAISES COSTS

from Page One

in an area. For example, the mandated minimum for glaziers in Livingston County — the wealthiest county in the state with a household income of over $72,000 —is $47.35. That's only a few dollars more per hour than the state's mandate in the U.P., despite large cost-of-living differences.

This means, for the majority of construction projects for local schools, Zurcher's company isn't allowed to pay his employees their privately-negotiated wages. Instead, the state forces an inflated minimum hourly wage of over $43. That doubling of labor costs comes from the school's budget, and ultimately from taxpayers. This also causes other negative effects, like fewer workers on projects.

"I believe prevailing wage has not benefited the taxpayers of Michigan," said Zurcher, who has done work on hundreds of taxpayer-funded projects. "It artificially increases construction costs, reduces price competition, promotes interest from contractors outside our state, interferes with the labor agreements of private businesses, creates a disincentive to complete projects in a timely fashion, and creates unfairness in compensation between long-time employees and new hires."

In September of 2014, Zurcher won a bid to do work for a new welcome center at Michigan Technological University. His base bid for the work was $84,000 with labor costs totaling $23,636 of that. But the cost was inflated because of the state's prevailing wage law. Without the law, the university would have paid $72,504 for the project with labor costs totaling $12,139. Michigan Capitol Confidential examined documents verifying this information.

Extrapolating that savings to every government-funded construction project in Michigan adds up. A 2013 study from the Anderson Economic Group found that the law costs school districts about $224 million annually in mandated extra costs. But it's not just schools: State and local government projects are also subject to the mandate, limiting their negotiating power when seeking bids.

Zurcher said the prevailing wage law harms one of his main competitive advantages: Price. When the state mandates a wage far above market value, larger and non-local shops often gain an advantage. That's because it makes more sense for a large company out of an area to bid and work on projects in which Zurcher's labor costs are inflated to their levels.

"Wisconsin glazing contractors see prevailing wage as an essential benefit and affords them the means to be able to bid on projects in the U.P.," said Zurcher. "It forces me to elevate my labor costs to their level which removes a major and key competitive edge we would normally have. Any supposed benefit the community and my employees might gain from the increased hourly pay is just as easily lost to competition from businesses outside our community."

As a principled fiscal conservative, Zurcher is opposed to the government interfering with labor contracts, even if that mandate sometimes benefits his company.

"Prevailing wage only serves to support special interest groups who use their power and influence to create their own special minimum wage standards," Zurcher said. "The Legislature should repeal the law and end the cronyism." ■

The original version of this story was posted online on Feb. 11, 2015. It is available with hyperlinks and more info at MichCapCon.com/20988.

MEDIA MUDDLES

from Page Four

- A $50 million increase in annual truck registration taxes, and elimination of a vehicle registration tax "depreciation" discount that will raise $10.9 million in the first year, and $150 million when fully realized.

This is on top of a $60 million Internet purchase sales tax that goes into effect regardless of the May 5 vote, which was enacted as part of the deal to put the sales tax increase on the ballot. The package also increases state spending by $260 million on low wage household income enhancement subsidies distributed as tax credits, which is contingent on a "yes" vote.

Late last year the Michigan House passed a plan that would have gradually increased road funding by $1.2 billion without raising taxes. The Senate responded with a $1.2 billion gas tax hike for transportation. On the last day of a 2014 lame duck session, in the pre-dawn hours of Dec. 19, the two bodies "compromised" at a net tax hike of $1.9 billion, which further analysis now pegs at around $2.0 billion. ■

The original version of this story was posted online on Feb. 12, 2015. It is available with hyperlinks and more info at MichCapCon.com/20984.

MSU STUDY

from Page Ten

> estimated via global agricultural economic models. However, the current methodologies for estimating iLUC are based on a faulty assumption, a fundamental mathematical flaw. As a result of this and other deficiencies (e.g., nonlinear interactions with respect to biofuel volume, lack of data, inconsistent system boundaries between biofuel and petroleum systems, etc.) in estimating iLUC, no scientifically reliable iLUC values are available at this time. Therefore, we do not include iLUC values in our analysis of greenhouse gas emissions.

What this appears to mean is that the study demonstrates that ethanol fuel use in Michigan reduces greenhouse gas emissions as long as the evidence that ethanol fuel use might actually increase greenhouse gas emissions is completely discounted.

Dr. Arvin Mosier, Professor in Global Environmental Change and Food Systems at the University of Florida, has authored several papers on the environmental effects of ethanol production. Besides the iLUC issue, he said he believes the MSU study may overstate the CO2 reduction benefits of corn-based ethanol.

Mosier, said that in several papers, he and his co-authors "concluded that nitrous oxide emissions greatly limit the net decrease in CO2 equivalent emissions from ethanol production. The land use issue does not have to be considered to reach this conclusion."

Dr. Tim Searchinger, a professor at Princeton University, said ignoring iLUC is a "fundamental accounting error."

"[T]he authors make a fundamental error if they do not even estimate iLUC because they assume incorrectly that they can ignore the carbon emissions from the combustion of the ethanol itself," Searchinger said in an email. "That is very real carbon, and there is no justification for ignoring it."

In a 2010 study, he explained the issue: "All potential greenhouse gas reductions from such biofuels, as well as many potential emission increases, result from indirect effects, including reduced crop consumption, price-induced yield gains and land conversion." ■

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CAPCON MICHIGAN CAPITOL CONFIDENTIAL

Managing Editor: Dan Armstrong Designer: Jonathan VanDerhoof

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Union Threatens School District for Removing Illegal Language From Contracts

BY TOM GANTERT

The Michigan Education Association has threatened to file an unfair labor practice complaint against the Northport Public Schools superintendent because of conversations he had with local union officials over removing illegal language discovered in the district's labor contract.

The contract, signed on June 24, 2013, states: "Each bargaining unit member shall, as a condition of employment … join the Association (union) or pay a service fee to the Association." Under the Michigan right-to-work law enacted in 2012, workers in a unionized workplace can no longer be forced to pay union dues or fees as a condition of employment. Union contracts that were in place when the law became effective at the end of March 2013 must expire for the right-to-work law to take effect.

Mary McGee-Cullen, a MEA Uniserv Director, sent the Dec. 8 letter that stated, "If there is language that is unenforceable then it is just that, unenforceable. We look forward to working with you through the negotiations process upon expiration of said agreements. In the meantime, cease and desist all further conversations with members pertaining to this issue and direct all communications to me as I am their MEA representative."

The teachers' contract expires Aug. 31, 2016. The contract for bus drivers, food service personnel and paraprofessionals also includes illegal language, and also expires in 2016.

McGree-Cullen did not respond to an email seeking comment.

Northport Superintendent Chris Parker has said previously that the district recognized language in the contract was unenforceable, and that he was not hired by the district until after it was approved on June 24, 2013. Parker says he had an agreement with the head of the teachers' union local to remove the illegal language, but the letter from the statewide union halted this. The superintendent was told by the local union representatives that the MEA would allow the contract to be re-opened, but the district would have to agree to a 1-percent across-the-board raise.

Parker said he is just going to "let it go" and make sure the illegal language is not included in future contracts.

Audrey Spalding, education policy director at the Mackinac Center for Public Policy, said the MEA was wrong.

"MEA officials worked to keep contract language that could be used to deceive teachers," Spalding said. "And instead of correcting this mistake, the MEA is threatening the superintendent. No matter what the MEA thinks, or who it bullies, Northport is a right-to-work district, and teachers cannot be fired for choosing to leave their union."

A September 2014 study authored by Spalding found 57 school districts had union contracts that were ratified after Michigan's right-to-work law took effect contained language raising legal and policy questions about how the districts were implementing Public Act 349 (right-to-work). The law only affects union contracts signed after it went into effect. Between the law's passage and its effective date many local school districts and their unions signed new or amended agreements intended to preserve the union's power to extract dues or fee payments from workers as a condition of employment. ■

The original version of this story was posted online on Jan. 2, 2015. It is available with hyperlinks and more info at MichCapCon.com/20861.

FORtheRECORD

Jennifer Granholm = Job Creator … Really?

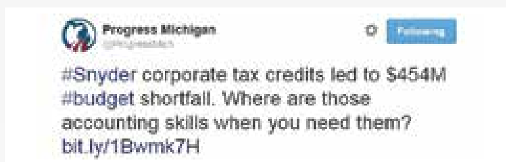
A speaker's bio written for former Michigan Gov. Jennifer Granholm states that in her talks she "details the successful strategies she used to create jobs, attract international investment, improve education & job training as governor." According to Keppler Speakers, Granholm costs $20,000 to $30,000 to "discuss how she led the charge to rebuild the state's economy."

ForTheRecord says:

During Granholm's eight year tenure as governor, Michigan lost more jobs than any other state in the nation and had among the worst economic collapses of any going back to the Great Depression. Michigan lost 576,900 jobs over Granholm's two terms and led the nation in unemployment for 45 consecutive months from May 2006 to January 2010.

MEGA Fail: Progress Michigan

In a post on Twitter, the left-wing advocacy group Progress Michigan criticized Gov. Rick Snyder for corporate tax credits that are causing revenue estimates to be lower than previous projections.



ForTheRecord says:

Michigan previously had a tax credit program known as the Michigan Economic Growth Authority, in which the number of and amount of credits exploded exponentially under previous Gov. Jennifer Granholm. The MEGA program was ended by Gov. Snyder shortly after he took office. The current budget shortfall is due to select tax credits approved during the Granholm administration which are being honored — some which put the state on the hook for up to 20 years.

Not only is Progress Michigan wrong about the facts, but the group previously praised companies using the state's tax credit program — in order to bash Republicans. In September of 2010, Progress Michigan had an article criticizing Republicans for perceived threats to funding for four companies in Michigan: A123 Systems, Johnson Controls, Compact Power and Dow Kokam. Those companies received MEGA credits and other state incentives; they all failed in job projections.

No Ineffective Teacher Left Behind

In 2011 the Legislature enacted a tenure-reform law intended to make it practical to terminate ineffective teachers. But, this reform and others was made contingent on the development of a method to evaluate teacher effectiveness, with half of the evaluation based on student progress on state tests.

Over three years have passed since then, giving the public school establishment plenty of time to lobby the Legislature. Republicans have apparently concluded, as evidenced by Senate Bill 103, that the best they can do is to delay the evaluations until 2018-2019 — and even then, only after weakening them. Under the bill, only 22.5 percent of a teacher's evaluation will be based on state tests. This leaves room for potentially less-objective "local" measurements.

ForTheRecord says:

Apparently, factoring in how well the students do really caught the schools and bureaucracy off guard.

2014 Was a Great Year for Adding Jobs in Michigan

BY TOM GANTERT

When it comes to the number of new jobs created in Michigan, 2014 was the best in 20 years.

The number of unemployed people dropped by 71,000, or 17.2 percent, from 2013 to 2014. Total employment rose by 98,000, or 2.3 percent. The Bureau of Labor Statistics does two monthly unemployment surveys. The Current Population Survey (CPS) is known as the "household survey" and the Current Employment Statistics (CES) survey is known as the "payroll survey," because it surveys businesses.

University of Michigan economist Don Grimes says the "payroll survey" has been shortchanging Michigan of jobs in its initial reports, which are later revised to show greater job creation when more data is collected months later.

"The household employment survey shows that 138,000 more people were employed in December 2014 than were employed in December 2013," Grimes said. "These data show employment gains that are much higher than the CES establishment survey, but the CES data have been shown to be consistently underestimating employment growth in Michigan. The household survey also includes self-employed individuals; if we are enjoying a boom in people starting their own business, these jobs would show up in the household survey, but not in the establishment survey. It looks like Michigan had a great year of job growth in 2014."

According to the household survey, 2014 was the best year for job recovery since 1994. From December 2013 to December 2014, Michigan added 137,370 jobs. The last time Michigan added more jobs from December to December was in 1994, when the state added 139,360 jobs. ■

The original version of this story was posted online on Feb. 19, 2015. It is available with hyperlinks and more info at MichCapCon.com/20998.

PROPERTY SEIZED

from Page Seven

Unlike criminal warrants for arrest, seizure of property suspected of being used in drug crimes, or the proceeds from crimes, requires a lower burden of proof because they are civil matters.

Attorney Daniel Grow, who represents Williams, explains that civil asset forfeiture cases can occur before, during, or after criminal prosecution because they are separate matters.

"The system is set up so that there is an incentive for the average person to resolve their claim by a plea deal," Grow said. "Very few of these cases go to trial because they're average people that have usually never been in trouble before and try to follow Michigan's medical marijuana act."

Grow said forfeiture is common in criminal cases but also happens when there are no criminal charges. It is difficult to fight seizure asset cases without criminal charges because the person must subject themselves to interrogations, depositions and give up their right to silence, as in criminal matters.

Williams says he was told he could get his property back if he paid a fine of ten percent of the value, about $5,000.

For his case, Kowalski is dumbfounded as to why police picked on him. He had been using medical marijuana after surgery in 2003 for a torn mitral valve. His heart medication caused insomnia and marijuana helps him sleep. But he has no use for the drug recreationally.

"I never really liked it," Kowalski said. "It made me foggy headed. I'm focused on research, science, books, writing. I didn't find it conducive to that lifestyle."

After Michigan passed the medical marijuana law, he applied for a card.

"The parameters seemed very simple: I could grow 12 plants and carry 2.5 ounces," he said.

Kowalski wanted to grow his plants outdoors because it was less expensive and caused fewer mold problems. He checked with the local sheriff and built a five-foot, barbed wire fence around the garden. Soon after, he agreed to be a licensed caregiver to four other patients. Under the law, he was permitted to grow 12 plants for each person.

According to the seizure petition, police spotted his plants by helicopter and could see them from the road. Kowalski lives in a rural area and said it is not possible to see exactly what is growing inside his fence about 400 feet away.

Other allegations in the complaint state that Kowalski was growing his plants inside an area that did not have a roof or cover and that he was unable to produce two of the four caregiver cards. Kowalski says he didn't have the documentation in his house at the time but did get it from the State of Michigan registry a few days later and provided it to police within a few days.

Police also claimed they found a "ledger" but Kowalski says it was a notebook that did not show sales of any sort. He says the book contained scientific data, calculations, phone numbers and miscellaneous writings, prose and song lyrics.

Kowalski also denies ever "selling" marijuana products, as stated in the complaint. He says he charged a compensation value of $4 per gram to his clients, and only provided a few grams at any one time. He was motivated more by compassion than profit.

"A lot of people around here are poor and my clients are poor and if they didn't have the money, I just gave it to them for free," Kowalski said.

The petition also states that Kowalski had business cards with a false address, stating his street number was 39416 instead of 39413. Kowalski said the cards had a typo on them and mistakenly handed the police a card from the bad batch.

After Michigan Capitol Confidential contacted the agency, prosecutors lifted the freeze on his bank accounts. But they still hold his property.

"I don't think what I did, growing medical marijuana for myself and my clients, was such a terrible thing but the treatment I'm getting from the state police is extremely harsh," Kowalski said.

He has been forced to sell some of the property he did retain in order to pay his bills.

"The primary goal of asset forfeiture is to deter and punish drug criminals by taking away the goods, property and money obtained through illegal activity," states the 2014 Asset Forfeiture Report filed by the Michigan State Police.

But Maj. Franklin disagrees.

"Marijuana is the largest cash cow for law enforcement, as you think about civil asset forfeiture," he said. "Here's what we did with some people: We didn't prosecute [them], they didn't go to prison, and they didn't go to court. They weren't convicted of [anything], but we would make a deal with them and they'd come to us and say, 'Hey, I need my car to go to work,' and we'd say, OK, if you give us XYZ amount of money, you can have your car back. So, literally, it's extortion."

Several bills have been introduced in the Michigan legislature that would make the forfeiture process more transparent or limit it without a criminal conviction. So far, they have been stalled at the urging of law enforcement agencies. ■

The original version of this story was posted online on Dec. 3, 2014. It is available with hyperlinks and more info at MichCapCon.com/20782.

MEDC Feeling the Heat for Corporate Welfare Deals Coming Home to Roost

BY JACK SPENCER

Corporate welfare is causing major budgetary woes for the state of Michigan. The sum of refunds from unspecified tax credits handed out in the past is estimated to exceed $9 billion in the years to come. The credits were given through the Michigan Economic Development Corporation (MEDC) as incentives for businesses to create or retain jobs.

Meanwhile, the agency continues to operate amidst complaints from lawmakers, reporters and others about its lack of transparency. An objective means of determining the benefits of the credits, as measured in the number of jobs produced or retained, has not been forthcoming, and the public can only make educated guesses as to which businesses are claiming the credits.

"The MEDC made an interpretation of tax law (in 2009) that has prevented residents from knowing which companies are cashing in on credits," said James Hohman, assistant director of fiscal policy with the Mackinac Center for Public Policy. "The state has offered billions in credits and reporting on this should be basic transparency."

Rep. Jeff Irwin, D-Ann Arbor, said the lack of transparency is a bipartisan concern.

"They changed the rules so that, even though this is a public board, it can hide behind this practice," Irwin said. "We don't need to see their tax returns; we just need some basic information. Then the new administration came in, but it has not been helpful at fixing this."

"As legislators, I and others are frustrated by the fact that we can't get data," Irwin continued. "Members on both sides of the aisle agree that we need to have transparency. This is information the public has a right to know, the news media has a right to know and the lawmakers have a right to know."

The tab for the credits in fiscal year 2015 has run up to $681 million and it is estimated to be $807 million for fiscal year 2016. There are several billion dollars more in credits that will likely be claimed in subsequent years.

The credits are the primary cause of a $532 million dip in expected state revenues. To deal with this immediate situation, Gov. Rick Snyder has authorized roughly $106 million in spending cuts to the current-year budget. He is also expected to shift $250 million of a surplus in the School Aid Fund to the General Fund to further offset the shortfall. It is assumed the estimated cost of the credits will be figured in as the Legislature begins work on the next fiscal year budget.

The tax credits creating the current situation were handed out during the administration of former Gov. Jennifer Granholm, and the educated guess is that they went to the Big Three auto manufacturers. Snyder and the Legislature put an end to the refundable tax credits in 2011, but have continued to maintain the agency.

Some legislative Republicans have been advocating that the state get rid of it. Rep. Pat Somerville, R-New Boston, has been one of them.

"It goes back to the issue of why making sure you're pursuing good public policy is so important," Somerville said. "This (the tax credit snafu) is an example of what happens when people in office only focus on what might have looked good short term without considering the long-term impact. Improving the economic environment is something we should be trying to do with tax policy. We need to put an end to all of this nonsense of picking winners and losers."

Rep. Todd Courser, R-Lapeer, has introduced House Bill 4194 to do just that.

House Democrats, however, take the position that the agency should be forced to transparently prove which of its incentives are successful and which aren't. They also say the state – acting on behalf of the taxpayers – should be getting its incentive dollars back from businesses that fail to create or retain the required number of jobs.

House Democrats also say that the current revenue shortfall is not caused by the tax credit refunds alone, but by a combination of the credits and Snyder's tax cuts for businesses.

"So this governor comes in and totally redesigns tax policy in 2011, and when he does that, he knowingly kept the credits in place and now they've come back with this kind of impact," Irwin said. "To say this was totally unexpected is not true. In 2011 the House Fiscal Agency said that if they reduce the business taxes but continue to fulfill the credits that businesses can redeem, it would lead to a trough that would result in us being $180 million in the hole. It is not true when they claim this was unforeseeable."

Dave Murray, Snyder's spokesman, responded to Irwin's comments with an explanation of the governor's position.

"Gov. Snyder has often said that he doesn't like the idea of tax credits, and one of the challenges has been the transparency and the ability to see what might be coming," Murray said. "Taxpayer information is private information. People in elected positions are not allowed to see taxpayer information."

"The governor has said we want businesses to be successful so they can grow and create more and better jobs," Murray continued. "That's been happening. But he has also raised concerns about tax credits for years, which is why he has transitioned away from them since taking office. Some of the organizations involved are open to talking about how they can provide greater visibility and work more closely with the state. We expect there to be ongoing dialogue about the legacy tax credits moving forward that will help with planning."

For nearly 20 years, the Mackinac Center for Public Policy has been a critic of MEDC programs, and the MEGA tax credits in particular. In a recent post, the Mackinac Center noted:

> The Mackinac Center has done hundreds of news articles and commentaries about the lack of jobs generated by the Michigan Economic Growth Authority tax credit program, which was eliminated in 2011 but is in the news because the state budget is taking a hit because of past deals.
>
> A 2009 study and 2005 study found that state corporate welfare programs exaggerated job claims and cost more money than they were worth. Numerous reports from the Michigan Auditor General found similar results. ■

The original version of this story was posted online on Feb. 20, 2015. It is available with hyperlinks and more info at MichCapCon.com/21011.

I'M JUST A BILL

MichiganVotes.org

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

Senate Bill 54

Ban using a drone to interfere with hunters

Introduced by Sen. Tom Casperson (R)

To prohibit using an aerial drone to interfere with or harass a person who is hunting. This would expand an existing law that bans interfering with or harassing hunters. Senate Bill 55 bans using a drone for hunting and also passed unanimously.

House Bill 4078

Spend $24.7 million for state land acquisitions and recreation projects

Introduced by Rep. Jon Bumstead (R)

To appropriate $24.7 million from the state Natural Resources Trust Fund for various land acquisitions and recreation projects. State oil and gas well royalty money is earmarked to this fund.

Senate Bill 34

Revise concealed pistol license procedures

Introduced by Sen. Michael Green (R)

To eliminate county concealed pistol licensing boards, and transfer their duties to the State Police and county clerks. Personal protection order provisions that triggered a Governor's veto of a similar bill last year have been removed.

Senate Bill 53

Expand "gun free zone" concealed pistol exception

Introduced by Sen. Rick Jones (R)

To revise the "gun free zone" provision of the concealed pistol permit law to exempt retired federal law enforcement officers who carried a firearm during their employment. This provision prohibits regular citizens who have received a permit after meeting the background check and training requirements from carrying a pistol in specified places including schools, bars, restaurants, churches, arenas and more.

House Bill 4155

Revise firearms definition

Introduced by Rep. Triston Cole (R)

To revise the definition of "firearm" in the state penal code so it longer applies to BB, pellet, paint ball or "air-soft" guns. The new definition would be a gun that "expels a projectile by action of an explosive." However, using a non-firearm to commit a crime would still be subject to criminal penalties.

Senate Bill 12

Allow pension double-dipping by some "retired" state employees

Introduced by Sen. Rick Jones (R)

To allow a retired state employee to simultaneously collect pension benefits and a regular paycheck for work performed as an Attorney General consultant or expert witness.