



PROPOSAL 4 Unhealthy for Michigan

“As a matter of law, they would have their hands on \$300 million a year of the people’s monies that should go to their treasury. These wrongful takers wouldn’t have to account for a penny of it.”

*Former Michigan Attorney General
Frank Kelley*

Ballot proposals are always important policy questions for the State of Michigan. Too often, however, voters overlook them. Election results show that individuals vote for the offices at the top of the ticket, and that issues appearing further down the ballot have far fewer people voting on them. It is important for voters to understand the significance of what ballot proposals would mean for the direction of this state and how important it is to vote on them.

The Michigan Constitution provides that it can be amended by a two-thirds vote of the legislature and a majority vote of the citizens, or by gathering petitions of registered voters equal to ten percent of those who voted in the previous gubernatorial election and a majority vote of the citizens.

This November, Michigan voters will be asked to vote on Proposal 4 – a constitutional amendment to determine whether Michigan’s tobacco settlement, totaling \$300 million per year, should be annually appropriated by the Michigan

Legislature or automatically given to unaccountable special interests.

The 1996 case, brought by former Attorney General Frank Kelley on behalf of the State of Michigan against the tobacco companies, sought to obtain damages incurred by the state to treat its citizens, and its own retirees, for cancer, emphysema, heart disease and other illnesses that the state claimed were caused by an addiction to cigarettes and other tobacco products. Though requested, no hospital or private health organization provided financial or any other assistance to the attorney general. In 1998, the State of Michigan won a court-ordered judgement of \$8.5 billion. The court ordered the tobacco companies to pay the state for its losses – not private hospitals – in the amount of \$300 million per year.

Proposal 4, ironically, would constitutionally mandate that the very same groups who would not assist in the case against “Big Tobacco” - and never claimed damages - would receive the annual tobacco settlement money.

What is Proposal 4

In 1999 the Michigan Legislature debated and decided to spend much of the settlement money for college scholarship awards, the Elder-Prescription Drug Assistance program which subsidizes the drug expenses of low income seniors, and the Life Sciences Corridor to promote biological and other health focused scientific research.

A BRIEF HISTORY

- *The Michigan Health and Hospital Association paid for a petition drive for a proposed constitutional amendment to divert Michigan's annual tobacco settlement away from programs established by the legislature to be placed on the November 5, 2002, ballot.*
- *People Protecting Kids and the Constitution was formed as a broad-based statewide coalition to defeat the hospital association's constitutional amendment. Among the more than thirty organizations involved are: Michigan Catholic Conference, Michigan Association of Non-Public Schools, Michigan Education Association, Michigan Federation of Teachers, Michigan Association of School Administrators, Michigan Community College Association, Presidents Council, State Universities of Michigan, Association of Independent Colleges and Universities of Michigan, Small Business Association of Michigan, Michigan Manufacturers Association, Grand Rapids Chamber of Commerce, Michigan Association of Counties, Michigan Area Agencies on Aging, Michigan Association of Community Mental Health Boards, Healthy Michigan Foundation, Health Care Association of Michigan, Detroit Medical Center and Van Andel Institute.*
- *People Protecting Kids and the Constitution challenged the placement of this proposal on the ballot based on the numerous changes to the Michigan Constitution, which were not mentioned in the petition, thus believing that individuals were misled when signing them. The Michigan Supreme Court ruled that the proposed constitutional amendment be placed on the ballot. The State Board of Canvassers then designated this as Proposal 4 and approved the language that will appear on the ballot.*

The Michigan Merit Award Scholarship provides a merit-based program for high school seniors to reward student achievement and to make post-secondary education more affordable. Seventy-five percent of the annual tobacco settlement is set aside for the scholarship program. The scholarship is available to all students (including public school, public school academy, non-public school, and home schooled students) who meet all eligibility requirements. This scholarship program has assisted almost 150,000 students since 2000 in attending traditional 2 and 4-year colleges and universities as well as a variety of vocational, technical and apprenticeship programs. At this time, 250,000 students are progressing toward obtaining the scholarship. The Merit Scholarship program itself is viewed as one of the most significant education reforms of the last decade.

Proposal 4 would constitutionally mandate that ninety percent of the annual tobacco settlement be diverted from the purposes established by the legislature and automatically be given each year to hospitals, nursing homes, two private non-profit corporations and an array of other health related programs. Thus the Michigan Merit Award Scholarship will lose all funding and will cease to operate. The Elder-Prescription Drug Assistance program will be significantly cut. The research of the Michigan Life Sciences Corridor will be significantly hindered or cease all together.

Proposal 4 would remove all legislative discretion; any alteration to the mandated appropriations would have to be approved by voters in a new Constitutional amendment. Thus regardless of whether or not a program is effective, the legislature will be unable to change or eliminate programs mandated by this proposal. In addition, two non-profit organizations outlined in the proposal will be exempt from Michigan's Freedom of Information Act and Open Meetings Act. The initiative would require the money to be spent as follows:

- 28 percent to nonprofit hospitals
- 15 percent to a "Tobacco-Free Futures Fund," a non-profit organization the details of which have not been established
- 13 percent to the EPIC prescription drug program for low-income seniors
- 13 percent to licensed nursing homes
- 13 percent to subsidize private and university health research, 15 percent of which must be tobacco related
- 2 percent to licensed hospices
- 2 percent to the Council of Michigan Foundations
- 1 percent to a "Healthy Michigan Foundation," a non-profit organization the details of which have not been established
- 1 percent to nurse practitioners who deal mainly with Medicaid cases
- 1 percent to school health clinics
- 1 percent to a nurse's scholarship program
- 10 percent to the state general fund

These amounts would be in addition to any existing funding for the various programs. The constitutional amendment is drafted in such a way as to prohibit using the mandated appropriations as a substitute for any existing spending. Proposal 4 also mandates that when state spending increases for other government programs, health programs receive a similar percentage increase.

According to the House Fiscal Agency, the additional spending on health programs required by Proposal 4 would require that the state cut \$216 million from other programs. This will require cuts in human services, education and public safety.

The Problems of Proposal 4

Proposal 4's complex 1,354 words pose significant public policy concerns including:

- It will end the Michigan Merit Award Scholarship Program.
 - It will require a minimum \$216 million cut in the state budget for programs in human services, education and public safety.
 - It will send a message to every special interest group to attempt to guarantee money for itself in the State Constitution.
 - It will set a bad precedent of placing specific spending percentages into the State Constitution.
 - It will tie the hands of legislators with regard to the appropriations process.
 - It will, for the first time in Michigan history, constitutionally mandate private organizations receive state appropriations.
 - It will appropriate money to organizations exempt from the Michigan Freedom of Information Act and Open Meetings Act without any oversight of how this money is actually used.
 - The Constitution could become merely an instrument for harnessing the coercive power of the state to transfer taxpayer dollars to clever special interests.
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The ballot wording for Proposal 4 reads:

PROPOSAL 02-4

A PROPOSED CONSTITUTIONAL AMENDMENT TO REALLOCATE THE “TOBACCO SETTLEMENT REVENUE” RECEIVED BY THE STATE FROM CIGARETTE MANUFACTURERS

The proposed constitutional amendment would:

- Annually allocate on a permanent basis 90% (approximately \$297 million) of “tobacco settlement revenue” received by state from cigarette manufacturers as follows: \$151.8 million to nonprofit hospitals, licensed nursing homes, licensed hospices, nurse practitioners, school-linked health centers and Healthy Michigan Foundation; \$102.3 million to fund programs to reduce tobacco use, Health and Aging Research Development Initiative, Tobacco-Free Futures Fund, Council of Michigan Foundations and Nurses Scholarship Program; and \$42.9 million to the Elder Prescription Drug Program.
- Guarantee recipients funding at 2001 appropriation levels plus additional state funds on an escalating basis for nonprofit hospitals, licensed nursing homes, licensed hospices and nurse practitioners.

Should this proposal be adopted? Yes **NO**

A majority “yes” vote would amend Michigan’s constitution.
A majority “**NO**” vote would defeat this proposal.

Proposal 4 would be a dramatic shift in both the public policy and constitutional practice of this state. Proposal 4 would end a successful education reform program and clutter the Michigan Constitution with language best left to the legislative process while opening it up to any special interest group wanting to mandate an annual share of taxpayer dollars.

Proposal 4 is bad for students, bad for families, bad for taxpayers and bad for Michigan. Vote NO on Proposal 4.

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