



# This Week in Lansing

MHSA • Muchmore Harrington Smalley & Associates, LLC

Highlights of the Latest Major Legislative, Administrative and Regulatory Activity in the State Capitol

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**INCOME TAX ROLLBACK MOVES FORWARD** – Despite *Governor Rick Snyder's* discontent and *State Treasurer Nick Khouri's* concerns, *House Tax Policy Committee* members reported legislation out of committee on Wednesday of this week that would eliminate the state's income tax over 40 years. The bill, *House Bill 4001*, saw a 7-4 vote from members to move it to the *House* floor for a vote, and *House Leadership* said it should also move quickly once there.

The legislation calls for the state's income tax rate to drop from 4.25 percent to 3.9 percent starting January 1, 2018, followed by a decrease of another tenth of a percentage point every year after. Sponsored by *Representative Lee Chatfield* (R-Levering), the rollback would cost the state's *General Fund* \$1.1 billion in its first year, including \$680 million this fiscal year, something *House Speaker Tom Leonard* (R-DeWitt) said he will not wait to see appropriated in the final 2017-2018 budget proposal before pushing the bill forward. Overall, as the rollback is set to continue until 2057, the state would see an additional \$400 million in costs annually due to the cuts, something both *Mr. Snyder* and *Mr. Khouri* have expressed resignation about.

The legislation, if passed, would also eliminate the provision within the road funding package that calls for the decrease of income tax whenever *General Fund* revenues increase by more than inflation. Those in opposition to the bill note there is no clear outline of where the cost of cuts would come from to make up for the lost revenue, and therefore would place the burden on Michigan's citizens. Groups expressing their opposition during the committee meeting included the *Michigan League for Public Policy*, the *Michigan Municipal League* and the *Michigan Association of School Boards*. In support of its opposition, the *Michigan Municipal League* released an *EPIC-MRA* study this week showing that 74 percent of Michigan voters "strongly opposed" the elimination of the income tax without replacement.

On the other end of the issue, those in support of the rollback claim it will assist working class families by providing broad and equal tax relief as well as help to improve the state's growing economy. The *Mackinac Center for Public Policy*, the *Michigan Freedom Fund* and *Americans for Prosperity* all expressed their support. Currently, seven other states have no income tax including, *Alaska, Florida, Nevada, South Dakota, Texas, Washington* and *Wyoming*; however, of the seven, five are considered to be in the top ten most regressive tax systems in the nation. The legislation was taken up on the *House* floor this week Thursday, but no movement was made as members continue to discuss details within both caucuses.

**"P3" BACK TO SENATE FLOOR** – Following testimony during a *Senate Commerce Committee* meeting this week Wednesday, the previously failed and recently reintroduced public-private partnership "P3" legislation was voted out of committee and sent to the *Senate* floor for a full vote, with proponents hopeful the legislation will see success this term. The previous version of the newly introduced *Senate Bill*

97 died in a *House Committee* during last year's *Lame Duck* session, but the language remains relatively the same: allowing state agencies and departments to enter into public-private economic development partnerships in order to develop eligible projects.

The bill also would call for the allowance of said entities to enter into ancillary agreements and to exercise eminent domain to acquire properties needed to develop an eligible project. *SB 97*, as sponsored by *Senate Majority Floor Leader Mike Kowall* (R-White Lake) (who also sponsored its former version), would keep Michigan competitive, specifically within the *Great Lakes Region*, as other *Midwestern* states offer public-private partnerships. *Mr. Kowall* noted that the legislation, if passed, would also play a large role in the development of autonomous vehicles as well as in the improvement of the state's infrastructure. The bill moved out of the committee with no amendments and no objections.

**SENATE COMMITTEE CLEARS BROWNFIELD PACKAGE** – Members of the *Senate Economic Development and International Investment Committee* cleared a package of bills (*Senate Bills 111-115*) to be sent to the floor for a vote on Thursday of this week, moving the *MThrive* (“Brownfield Bills”) legislation forward as anticipated. The *Committee's* chair and lead sponsor of the bills, *Senator Ken Horn* (R-Frankenmuth), noted that he would like to see the package moved over to the *House* by early March, and plans to work with *House Leadership* to ensure *House* members are up to date on the issue.

*House Speaker Tom Leonard* (R-DeWitt) agreed, but also said he has some concerns with the legislation himself that will need to be addressed before moving forward, especially since his caucus is working to pass tax relief legislation as well. The package, as approved by the *Senate Committee*, calls for the allowance of “transformational” projects to capture sales tax and income tax monies generated via on-site construction activities, followed by the capture of 50 percent of the same taxes generated from new jobs and residents within the completed development for up to 20 years.

As for collections from construction, a \$200 million cap would be set, and a \$40 million annual cap would be set for the jobs and residential captured taxes. In order to qualify as a “transformational” project, investments between \$15 million and \$500 million must be made, and each city in Michigan is limited to one approved plan per year. Any such plan would first have to be approved by local and state officials and for larger projects, a third party would be required to analyze the project and a signature from the state treasurer would also be required.

**FORUM PANEL: AUTONOMOUS VEHICLES POSE POLICY ISSUES** – According to panelists speaking at a forum on the issue of autonomous vehicles, companies seeking to use commercial vehicles without steering wheels or brake and accelerator pedals will pose many policy challenges regarding law enforcement, infrastructure and education. The speakers noted that because most laws and regulations within the *U.S.* assume a human being will be present during the operation of an autonomous vehicle, these companies will face issues during the development phase due to a shortage of engineers for these types of vehicles.

The forum, held by the *Institute for Public Policy and Social Research (IPPSR)* at *Michigan State University* and co-sponsored by *Ford Motor Company*, covered multiple issues regarding autonomous vehicles including the current rules and regulations the auto industry must comply with that might affect the development of the driverless vehicles. Panelists addressed the topics of limitations for the vehicles (road conditions, failing components, etc.); back up cameras and other new regulations from the *National Highway and Traffic Safety Administration* for non-autonomous vehicles; and the efforts being made to create “connected vehicles”, which will communicate with one another as well as assess traffic conditions.

However, despite these moves forward, the panelists noted, the need for more education is critical

and companies in different industries will be fighting for engineers working in the same discipline. The speakers presented to an audience of legislators, corporate executives, industry officials, legislative staff and others, noting that though multiple policy changes will need to be made, the development of autonomous vehicles is the most significant progress within the industry since the invention of the internal combustion engine.

**ENVIRONMENTAL JUSTICE WORKGROUP MEMBERS NAMED** – Per the list of recommendations from the *Flint Water Advisory Task Force* and the *Flint Water Interagency Coordinating Committee's Policy Subcommittee*, Governor Rick Snyder announced this week Wednesday the names of those who have been appointed to the *Environmental Justice Workgroup*:

- **Chris Kolb**, president of the *Michigan Environmental Council*
- **Fadi Mourad**, director of environmental strategy and non-utility at *DTE Energy*
- **Sylvia Elliot**, managing attorney and director of the *Office of Legal Affairs* for the *Michigan Department of Civil Rights*
- **Mariam Bazzi**, *Wayne County* assistant prosecutor
- **Kathy Evans**, environmental program manager for the *West Michigan Shoreline Regional Development Commission*
- **Jegar Johansen**, founder and chair of *Cascade Engineering*
- **Charlotte Jameson**, government affairs director for the *Michigan League of Conservation Voters*
- **Kathleen Lomako**, deputy executive director for the *Southeast Michigan Council of Governments*
- **Jerome Maynard**, a *Marquette* attorney
- **Kaushik Nag**, director of employee engagement at *Amway*
- **Paul Mohai**, *University of Michigan* professor in the *Natural Resources and Environmental School*
- **Maggie Pallone**, deputy director of external affairs for the *Michigan Department of Environmental Quality (DEQ)*
- **Robert Sisson**, president and CEO of *ConservAmerica*
- **Lawrence Reynolds**, a physician and president and CEO of *Mott's Children Health Center*
- **Andrew Such**, director of environmental and regulatory affairs for the *Michigan Manufacturers Association*
- **Jesse Venegas**, vice president of *Ideal Group*
- **Guy Williams**, president and CEO of *Detroiters Working for Environmental Justice*
- **Kyle Whyte**, a *Michigan State University* associate professor of community sustainability

Commenting on the appointments, **Mr. Snyder** stated, “Ensuring every Michigander has the same protections from environmental and health hazards is of the utmost importance. My goal for this workgroup is to have thoughtful, productive conversations about this complex issue and I look forward to their recommendations and insight on this topic.”

**COMMON CORE REPEAL GAINS TRACTION IN HOUSE** – **Representative Gary Glenn** (R-Midland), joined by 28 co-sponsors, introduced legislation last week calling for the termination of the use of any *Common Core Standards* throughout the state, and to instead use standards similar to those implemented in *Massachusetts* in 2008-2009. Continuing a battle that has been ongoing for years, **Mr. Glenn** noted that the current *Michigan Student Test of Educational Progress (M-STEP)*, as created and implemented to maintain *Common Core* in the state, is too standardized and removes control from local school districts.

Designed for students in grades three-11, the *M-STEP* was created by the *Michigan Department of*

*Education (MDE)*. In his bill (*House Bill 4192*), *Mr. Glenn* calls for the state to instead move to a set of standards used in *Massachusetts*, which helped the state move to first place on a variety of national test scores in its first year of use, the 2008-2009 school year. The legislation also calls for the allowance of school districts to adopt whichever standards they deem necessary for their schools, as well as the allowance of parents to opt their children out of any and all school activities or tests they do not agree with. There is bipartisan support for the bill, *Mr. Glenn* noted, as two *Democratic Representatives (Scott Dianda (D-Calumet) and Rose Mary Robinson (D-Detroit))* have signed on as cosponsors.

This week the bill was moved to the *House Michigan Competitiveness Committee* by a now supportive *House Speaker, Representative Tom Leonard (R-DeWitt)*, as the issue was thought to be more favorable within that committee than the *House Education Committee* where it has previously been halted in prior sessions. The new legislation also requires the new standardized tests to be taken via pencil and paper, rather than on a computer (which *M-STEP* is moving toward), as it would allow students to return to questions they need extra time on. Some business and education groups at the hearing disagreed, stating that the state's low performance in schools is not indicative of incorrect standards, and that any and all effort having gone into aligning schools and students to *Common Core* would be lost on a new system, putting districts behind. Committee members did not take action, but indicated additional hearings will be held on the issue.

**MDE LOOKING TO SUBMIT PLAN FOR ESSA: BOARD CALLS FOR DELAY** – On Tuesday of this week, officials from the *Michigan Department of Education (MDE)* presented their plan to comply with the new federal *Every Student Succeeds Act (ESSA)* (including their hope to submit the plan by April 3) to members of the *State Board of Education*, with some board members pushing for further review and a later submission date.

The plan, according to the *MDE* presentation, proposes a new A-F grading system for school assessments; reduces the use of the *M-STEP* overall and to be required only for fifth and eighth grades; creates *Partnership Districts* for the lowest-performing schools (bringing in additional assistance from social services, mental health services and business community participants); creates a transparency dashboard; and revises the state's *Comprehensive Needs Assessment* (to help keep students' needs at the center of their individual reform plans).

Many of the issues addressed in the new plan are those at the center of state *Superintendent Brian Whiston's* "Top 10 in 10" goal; targeting key components of the state's education system and strategic plan to make Michigan a Top 10 education state in 10 years. As board members discussed the *MDE's* proposal, they also took a vote on whether or not the *State School Reform Office* should close schools this fall. On a bipartisan vote, the *Board* approved a resolution urging *Natasha Baker (School Reform Officer)*, who initially announced the closures) to keep those schools open. *Mr. Whiston* noted that he and *Governor Rick Snyder* have been working closely together to form a plan to allow the districts of closed schools to reorganize and reopen the schools, again focusing on the necessity of submitting the new *ESSA* plan in the next couple of months.

**ODDS & ENDS** – According to the *Senate Fiscal Agency's (SFA)* monthly revenue report, the state's *General and School Aid Funds'* taxes were up 4.4 percent in January 2017 from January 2016, roughly \$21.4 million above the *SFA's* expectations for the month...*Ron Weiser* has been named as *Michigan's Republican Party Chair*, replacing former chair *Ronna Romney McDaniel* who left the post to work as head of the *Republican National Committee* in *Washington, D.C.*...former representative *Brandon Dillon* was re-elected as *Chair* for the *Michigan Democratic Party* at the *Party's* state convention last weekend...due to high retirement rates and low application numbers, the *Michigan State Police* have set a goal of having over 2,000 officers and since 2011 the *Department* has graduated 666 new officers, hoping

to graduate another 200 this year...according to an *EPIC-MRA* poll released on Friday of last week, 57 percent of voters would vote “yes” to legalize and tax marijuana in the state, an increase of 4 percentage points from one year ago...**Governor Rick Snyder** announced today former representative **Aric Nesbitt** has been named as the state’s next **Lottery Commissioner** following the departure later this month of current **Commissioner Scott Bowen**...**Representative Joseph Graves** (R-Linden) announced he will form a bipartisan workgroup to look into the ongoing issues plaguing the state’s **Unemployment Insurance Agency** on Monday of this week, following a hearing discussing said issues by the **House Oversight Committee** (which **Mr. Graves** chairs)...former representative **Bradford Jacobsen** has been appointed to the **Michigan Liquor Control Commission** as announced by **Governor Rick Snyder** on Monday of this week...the **Detroit Caucus** within the **House** held a press conference early this week, calling for alternate solutions to the recently announced school closures, including the appropriation of necessary funds for a school closure impact study...**President Donald Trump** and **Canadian Prime Minister Justin Trudeau** announced in a joint statement on Monday of this week their support for the **Gordie Howe International Bridge** between **Detroit** and **Windsor**...former representative **Kevin Daley** announced this week Monday he will seek the **31<sup>st</sup> Senate District** seat once more, following a defeat of 772 votes in 2014...the **Michigan Department Environmental Quality (DEQ)** ordered **Flint’s McLaren Hospital** to immediately begin the process to comply with federal recommendations for improvements to its water system in order to prevent more cases of **Legionnaire’s Disease**...**Governor Rick Snyder** and **Flint Mayor Karen Weaver** met this week to discuss the possible extension of **Flint’s** water credits for residents effected by the **Water Crisis**, but Mr. Snyder denied the extension request...**Governor Rick Snyder** announced his list of nine projects submitted for federal funding, including but not limited to: construction of a 350-plus acre proving ground for the testing, development and validation of autonomous vehicles, the replacement of lead pipes nationally, the **M-1** rail project in **Detroit** and a new customs plaza at the **Gordie Howe International Bridge**...**Dave Hiller**, **Executive Director** of the **Michigan Fraternal Order of Police (MFOP)**, has been named by **Governor Rick Snyder** to represent the **FOP** on the **Michigan Commission on Law Enforcement Standards (MCOLES)**...according to the most recently released **IRS** tax data on Michigan (going back to 2014), the average annual income for residents was \$57,986...the **Legislative Quadrant (House Speaker Tom Leonard** (R-DeWitt), **Senate Majority Leader Arlan Meekhof** (R-West Olive), **House Minority Leader Sam Singh** (D-East Lansing), and **Senate Minority Leader Jim Ananich** (D-Flint)) announced its priorities for the session year, noting corrections, income tax, infrastructure and municipal funding would be major focuses...according to a report released on Wednesday of this week by the **Michigan Public Service Commission**, all electric providers were in compliance in 2015 with the 10 percent renewable standard...**House Committee** assignments have been altered to compensate for the absence of former **Representative Brian Banks**: new minority vice chair for the **House Insurance Committee** is **Representative Tim Greimel** (D-Auburn Hills) and **Representative Abdullah Hammoud** (D-Dearborn) has been named as a member to that committee; **Representative Jeremy Moss** (D-Southfield) is now serving on the **Joint Committee on Administrative Rules** and **Representative Terry Sabo** (D-Muskegon) is now serving on the **House Transportation and Infrastructure Committee**...the **Michigan Gaming Control Board** announced this week all three **Detroit Casinos** saw increased revenues from January of 2016 (**Greektown** 4.9 percent, **MotorCity** 3.5 percent, and **MGM Grand** 0.9 percent)...65 percent of Michigan voters want to see the **Affordable Care Act (ACA)** repealed, but only 8 percent are willing to see the **ACA** repealed without a replacement, according to a 600-person survey conducted by **EPIC-MRA**...since **Healthy Michigan** was implemented, hospitals have experienced 47 percent less uncompensated care, according to a study conducted and released by the **University of Michigan**...special elections will be held on August 8, 2017 and November 7, 2017 to fill the **1<sup>st</sup> House District** seat following the resignation of former representative **Brian Banks** as required in a plea deal.

**PLEASE NOTE** – The offices of **MHSA** will be closed on Monday, February 20 in honor of **Presidents’ Day**. We will reopen for normal business hours on Tuesday, February 21. Please let a member of our team know if you have any questions or concerns.

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