



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 REFORM DEFEATED IN HOUSE – *House Bill 4001*, the bill outlining heavily debated income tax reform, failed in the early hours of Thursday morning following the first all-night session of 2017. Members finally left the *House* floor after roughly 12 hours and a vote of 52-55, with one of the “no” votes costing a member his committee chairmanship.

House Speaker Tom Leonard (R-DeWitt Twp) noted that though he expected multiple “no” votes on the legislation, he was surprised when *Representative Jason Sheppard* (R-Temperance) did not show his support as expected and promised to Leonard. Following the final vote, *Mr. Sheppard* was removed from the *House Financial Services Committee* and relieved of his Chairmanship. *Representative Diana Farrington* (R-Utica) has been named as new *Chair* and *Representative Joseph Graves* (R-Argentine Twp) has been appointed to the committee and will serve as *Majority Vice Chair*.

The bill, as sponsored by *Representative Lee Chatfield* (R-Levering), saw one amendment adopted before the failed passage, calling for the current 4.25 percent income tax rate to drop to 4.15 percent (originally written as 3.9 percent) in 2018 and to 4.05 in 2019, but would not continue to decrease unless the *Budget Stabilization Fund (BSF)* has a balance of \$1 billion or more (once that balance is met, the tax would decrease by 0.1 percent annually until reaching 3.9 percent).

Of the 55 “no” votes, 12 were *Republican* members (including *Mr. Sheppard*), who noted that the bill needed more discussion and further elaboration. *House Minority Leader Sam Singh* (D-East Lansing) agreed, noting that he would have recommended the bill remain in committee to receive testimony and a more detailed look at the process and requirements of the legislation. *House Democrats* also claimed the legislation benefits the wealthy but not the middle class and it would cause a major deficit in funding schools, roads and public safety. *Mr. Singh* distributed a detailed report from *Mitch Bean* of *Great Lakes Economic Consulting* during *Mr. Leonard’s* caucus discussions, to reinforce that if enacted, the proposal would cause a \$2 billion shortfall in *Fiscal Year (FY) 2022*, with the actual cut itself totaling \$1 billion.

However, those in support of the bill, stated that following tax revamps in 2007 and 2011, the state needs to fulfill its promise to cut the income tax rate down to 3.9 percent, as long as the *BSF* has \$1 billion total. Though *Governor Rick Snyder’s* budget proposal for *FY 2018* included funds to bring the *BSF* to that marker, *Mr. Snyder* expressed concern regarding the revenue loss due to its potentially severe impact on the current and future budget(s). *Speaker Leonard* noted that he and his caucus members will continue to work through the budget process over the next few months but did not detail plans for another vote on the tax plan legislation.

MTHRIVE MOVES THROUGH SENATE WITH LESS OPPOSITION – *Senate Bills 111,*

112, 113, 114 and *115* all saw passage on Wednesday of this week in the *Senate* with two additional votes than the package received when initially taken up during last year's *Lame Duck* session. The bills, a reformed version of their former selves, call for the allowance of state monies to be used towards "transformational projects" within the state and modifies the current *Tax Increment Funding* incentives for developers. Under the legislation, developers would be allowed to capture sales, use and income taxes created via the revitalization and redevelopment of brownfield sites. The two "yes" votes gained this week belonged to *Senators Marty Knollenberg* (R-Troy) and *Mike Shirkey* (R-Clarklake), both noting that while they have expressed support for the bills as currently written, they are looking forward to more work to be done on the package. The package died last year in the *House* after members failed to garner votes needed for passage stating more work and information was needed. Lead sponsor of the package *Senator Ken Horn* (R-Frankenmuth) has expressed optimism for the reformed plan, noting he plans to speak more in depth with *House* members and to also get the new members up to speed on the issue so none feel uninformed when this issue is brought to their chamber for consideration.

"P3" LEGISLATION HEADS TO HOUSE – The previously ill-fated public-private partnership ("*P3*") legislation reintroduced from last year's *Lame Duck* session passed the *Senate* on Thursday of this week in the form of *Senate Bill 97*, with a vote of 32-4. The bill, as sponsored by *Senate Majority Floor Leader Mike Kowall* (R-White Lake), calls for the allowance of public entities to enter into a public-private agreement to move projects with higher dollar amounts forward, i.e. autonomous vehicle productions, infrastructure improvements, updated healthcare facilities, etc. *Governor Rick Snyder* was openly supportive of the legislation as it was introduced last year, however the bills died in the *House Commerce Committee*. That bill, as passed by the *Senate* then, saw eight "no" votes, while the newly improved bill saw only four this week, a step in the right direction according to *Mr. Kowall*.

Concerns for the previous version mostly involved the idea that the legislation would allow toll roads within the state, however, *Mr. Kowall* made sure this time that concern was not overlooked and he hopes members of the *House* see the difference. Commenting on his expectations for the legislation once in the *House* *Mr. Kowall* stated, "I know the Governor's office will be working on it over there. It will involve a lot of clarification. As I said before, this has at least three different parts where I made it clear that this does not enable establishment of toll roads – and I put it in bold print." The bill is expected to be taken up by the *House* sometime in the next couple of weeks.

DHHS QUESTIONED ON CHILD WELFARE INFORMATION – *Michigan Department of Health and Human Services (DHHS)* officials were asked on Tuesday of this week how the state plans to create and implement one system to provide all the information needed on child welfare, specifically if that program would be completed by the end of the *2017-18 Fiscal Year (FY)*.

Members of the *Senate Health and Human Services Appropriations Subcommittee* also pressed *Steve Yager*, executive director of the *Children's Services Agency* within the *DHHS*, on an estimated timeline for a uniform system to be used by the state's counties on juvenile justice matters. *Mr. Yager* addressed both issues as he talked with panel members about the proposed budget for the *Agency* as outlined in *Governor Rick Snyder's 2017-18 FY* budget proposal, which totals \$1.167 billion.

However, members were less focused on the numbers and wanted more information on how the additional \$14.2 million would be used to measure the results (and make those results available) of its intended purpose of boosting per diem fees paid to residential foster care providers and private child placement agencies. *Mr. Yager* noted that the *Agency's Michigan Statewide Automated Child Welfare Information System* will be seeing updates in the coming year to address the concerns over information availability, noting that the *DHHS* plans to have the entire system upgraded by using integrated services and systems. When asked how much time it would take to fully integrate the system, *Mr. Yager* said he was

unsure but hopeful it would be completed by the end of this *FY*.

The issue of receiving juvenile justice data from counties throughout the state was a bit more foggy, with some responsibility remaining with the *Legislature*. According to *Senator John Proos* (R-Saint Joseph), the definition of juvenile recidivism will be included in current legislation making its way through the *Legislature*, which in turn, would hopefully assist the *Department* in getting more information once a clear definition is made. *Mr. Yager* agreed, noting that currently, counties provide minimal information due to a lack of concrete definition. *Mr. Proos* also voiced concern that once the definition is made, the state will fail to control recidivism in juveniles, and urged *Mr. Yager* to rework that system for available information as well. As announced on Thursday of this week however, *Mr. Yager* will be retiring, and is to be replaced by *Dr. Herman McCall*.

EFFORTS TO RESTRUCTURE UIA UNDERWAY – The *Michigan Talent Investment Agency (TIA)* announced on Wednesday of this week its plans to restructure the state’s *Unemployment Insurance Agency (UIA)*, including the elimination of 21 managerial positions within the *Agency*. The changes will be made due to recent issues with the *Agency’s* automated system where thousands of Michigan residents were wrongfully accused of unemployment fraud. Though the managerial positions are to be eliminated, additional positions “out in the field” will be created in order to get more experienced professionals working directly with customers. Those in the 21 positions will have first choice to reapply for different positions within the *Agency* or, depending on their seniority, could be placed in a different position as outlined under *Civil Service* procedure. Currently, the *TIA* employs 828 people across the state. Spokesperson for the *TIA*, *Dave Murray*, noted that the intent is not to reduce the number of employees or the *Agency’s* budget, but instead to refine and reform the whole process of how the *Agency* runs. *Mr. Murray* stated that the changes are set to take place next month, along with similar changes being made within the state’s *Workforce Development Agency*. Commenting on the impending reforms, *Mr. Murray* noted, “We want to make sure Michiganders are getting the best service possible. That means we’re focusing on people, not programs.”

SENATE PANEL DISCUSSES SCHOOL ACCREDITATION REFORM – As discussions continue regarding Michigan’s “*Failing Schools Law*”, the issue of how schools are determined as failing was brought to the attention of *Senate Education Committee* members this week as well. *Chair* of the *Committee Senator Phil Pavlov* (R-St. Clair) previously introduced *Senate Bill 27*, which calls for the elimination of the state’s school ranking list which includes the bottom 5 percent of the lowest-performing schools within the state.

Taking that legislation one step further, *Senator Marty Knollenberg* (R-Troy) introduced *Senate Bill 174*, which would eliminate the school accreditation system. Both proposals include increased engagement of parents in not only their individual student’s progress, but also in how their school compares to those around it. Currently, schools are assessed and graded by the *School Reform Office* which recently notified 38 schools of their possible closure at the end of this school year, much to the discontent of legislators and local communities. State *Superintendent of Public Instruction Brian Whiston* agrees that reform is necessary, having reached out to the aforementioned 38 schools to engage in a partnership arrangement with the state as an alternative to closing on such short notice.

Members of the *Committee* heard testimony on the issue during the meeting, with *Ben DeGrow*, director of education policy at the *Mackinac Center for Public Policy*, noting the organization is supportive of an A-to-F type of grading/accreditation system. *Mr. DeGrow* also noted that the *Mackinac Center’s* own ranking system for the state’s schools takes into account the poverty level of the district, meaning more emphasis is placed on academic growth than overall proficiency. Panel members agreed that while that information is necessary to include, it should not be the sole basis for accrediting schools, something *Mr. DeGrow* agreed with and emphasized the previously mentioned accountability placed on parents and the

schools themselves. Both bills remain in the *Committee* and will hear further discussion.

ODDS & ENDS

- The *Civil Rights Commission* released a report on Friday of last week, outlining recommendations for the state to adjust its *Emergency Manager* law to be more inclusive to those being governed by an *EM* as the *Commission* found race to have played an “undeniable” role in the *Flint Water Crisis*
- *Enbridge Energy* has agreed to provide a briefing to state officials at the next *Pipeline Safety Advisory Board* meeting following the release of its report indicating some breaches in the outer coating of the *Line 5* pipeline currently running under the *Straits of Mackinac*
- *Lieutenant Governor Brian Calley*, joined by representatives of 21 different Michigan companies, went on a three-day trade mission to *Mexico* earlier this week with the goal of attracting new business investments and new sales opportunities within the state
- Former *Representative Brian Banks* was sentenced to one day in jail (with credit from time served) and no restitution for his misdemeanor charge of filing false financial statements
- According to a report released on Friday of last week by the *Advanced Energy Economy Institute*, Michigan will need 2,000 megawatts more to meet peak energy needs during summer months by 2026, which can be addressed via demand reduction throughout the state
- *Senator Rick Jones* (R-Grand Ledge) introduced *Senate Bill 157* last week which would require all materials that meet national standards for water infrastructure projects to be considered for underground infrastructure projects, including plastic
- *Representative Triston Cole* (R-Mancelona) announced this week Tuesday that though he plans to hold an informational hearing on *Public Act 51* (the law outlining the state’s road funding formula), he does not plan to make any changes to the law or the formula itself
- *Under House Bill 4220* as sponsored and introduced by *Representative Gary Glenn* (R-Midland), energy customers could continue to use their analog meter for an additional \$60 per year in response to energy companies’ push to use smart meters
- A total of 15,176 permits were issued in Michigan in 2016 for new home construction according to the *U.S. Census Bureau*, an 11.7 increase over those issued in 2015
- *Representative Andy Schor* (D-Lansing) announced on Wednesday of this week he will be running for Mayor of Lansing this fall
- *Senate Bill 69*, which outlines *Freedom of Information Act (FOIA)* exemptions for bid information during a procurement process until negotiations are finished, passed through the *Michigan Competitiveness Committee* on Wednesday of this week on a vote of 9-0
- *Former Representative and Senator Stephen Monsma* passed away on Saturday at the age of 80, following his battle with pancreatic cancer
- *Former Representative Earl Poleski* has been named as the new *Executive Director* of the *Michigan State Housing Development Authority (MSHDA)*, following a vote by the agency’s board of directors on Wednesday of this week
- According to a pilot study conducted by the *Michigan Department of Health and Human Services (DHHS)*, 692 mid-Michigan residents were denied mental health care 21,991 times last year, totaling an average of 33 times each between March and September
- *Governor Rick Snyder* released a statement on Thursday of this week calling to delay the closure of the 38 schools that received letters earlier this month notifying them of pending closure by school year’s end, asking for the state’s *School Reform Officer (Natasha Baker)* to work with the state’s *Superintendent of Public Instruction (Brian Whiston)* before any closures are confirmed
- *Michigan Department of Transportation (MDOT) Director Kirk Steudle* announced on Thursday of this week the state’s autonomous vehicle legislation is already seeing progress in motion, including the *American Center for Mobility* up and running, fully staffed and engaged in multiple

construction projects

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