



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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UIA ISSUES REVEALED FOLLOWING AUDIT RELEASE – The state’s *Unemployment Insurance Agency (UIA)* has come under fire recently following the results of an audit showing the agency wrongly collected from multiple fraud cases between 2013 and 2015, throwing administrative and legislative officials into swift response mode. The *UIA* is housed within the *Talent Investment Agency* of the *Michigan Department of Talent and Economic Development*, and was audited by the state’s auditor general in order to follow up on previous recommendations made to the agency in 2012.

The *UIA* uses a computer-run, automated system to assess and adjudicate fraud cases which, as reported in the audit, incorrectly deemed 93 percent of the cases during that time period as fraudulent. An administrative review of the *UIA*’s system and its handling of fraud cases in general found that only 7 percent of cases during those years could be verified as having committed fraud. In the state, those found guilty of committing insurance fraud must pay five times the amount of benefits received during the fraudulent period, something legislators and officials say burdened those wrongfully convicted.

Following the release of the information, *Governor Rick Snyder* immediately signed two bills into law late last week (which were filed this week Monday) in response to the audit’s findings, with one moving \$10 million from the state’s fraud penalty payment fund into the *General Fund* and the other requiring improved communication between the *UIA* and beneficiaries by prohibiting the use of automated systems for adjudication of fraud cases. Those bills, *Senate Bill 1008* and *House Bill 4982* respectively, may soon be joined by legislation calling for the creation of a separate fund for the purpose of compensating individuals wrongfully charged guilty for fraud as noted by *Senator Jim Ananich* (D-Flint) who also stated more in depth investigations into the incident should be required as well.

Mr. Ananich announced this week Wednesday his plans for the legislation, and commented on the issue-plagued agency saying, “When the government steals your money, they should do everything they can to make sure it’s rectified.” Citing estimates of those monies unnecessarily paid as \$54 or \$55 million, *Mr. Ananich* also stated that further investigations were needed as “it’s unbelievable that it could take this long to discover a problem and take this long to rectify it.”

Of the legislation signed by *Governor Snyder*, one bill was given immediate effect (*SB 1008*) and the other will take effect April 9 (*HB 4982*). Though no official introduction was made by *Mr. Ananich*, the discussion is set to continue next week when the *Senate* begins its more routine session schedule.

INCOME TAX REFORM INTRODUCED – The first legislation to be introduced in the *2017-2018 Legislative Session* year deals with the issue of income tax reform, with members of both the *House* and *Senate* putting forth proposals to their respective chambers. In the *House*, *Representative Lee Chatfield* (R-

Levering) introduced **House Bill 4001** on Wednesday of this week, with the legislation calling for a cut of the current 4.25 percent income tax rate to 3.9 percent followed by reduction of 0.1 percentage point per year until the rate is wholly eliminated. **House Speaker Tom Leonard** (R-DeWitt) noted his support of the bill and the “tone” it sets for his chamber for this session year. Though **House Republicans** echoed their support for the legislation, **House Minority Leader Sam Singh** (D-East Lansing) expressed his discontent for the plan estimated to cost more than \$9 billion once fully implemented, instead noting the state needs to discuss and implement funding for schools, infrastructure and local government before addressing income tax cuts.

With a seemingly split **House** early on in the session year, **Senator Jack Brandenburg** (R-Harrison Twp.) brought the controversial discussion to his chamber via a proposal for the phasing out and overall elimination of the income tax. In his outline as announced to his fellow senators, **Mr. Brandenburg** noted the legislation will include the elimination of the income tax over a five-year period via a cut from the current 4.25 percent to 4 percent in the first year, and then by 1 percentage point each year following. Noting he already has 12 co-signers for the legislation, **Mr. Brandenburg** stated that the reform will take time and any of his **Democratic** fellow **Senate** members are welcome to join workgroups on the issue. The official introduction is expected from **Mr. Brandenburg** during next week’s session.

K-12 SCHOOLS TO SEE POSSIBLE CHANGES IN FALL OF 2017 – Michigan’s plan to comply with the new federal **Every Student Succeed Act** is still expected to be presented to the state’s **Board of Education (SBE)**, but with the plan required to be in place by fall of 2017, completion and approval deadlines are quickly approaching. **Superintendent of Public Instruction Brian Whiston** told board members this week Tuesday at their meeting that we would also still seek approval of the plan before moving forward, but also did not voice opposition nor support to moving forward without the five affirmative votes from the board when asked. Of the main provisions addressed in the plan, an A-F grading system for school districts was one that brought most concern to board members. The system would be in place for accountability purposes (as stated under the federal law) and, **Mr. Whiston** noted, was something he had promised to develop as part of the negotiation over the restructuring of the **Detroit Public School District**. Board members voiced differing opinions on the issue, with some agreeing an accountability overhaul was needed and others stating the A-F system is not necessary as it punishes higher performing schools with little room to expand and lower performing schools without resources to improve. Another issue to be addressed in the plan is that of testing throughout the state, including adjusting the **PSAT** to include eighth and ninth grade students. This potential move caused much discussion as well, as members debated whether or not students at that age should be tested based on a set of standards or to compare the relative skills of students. Other testing adjustments would add kindergarten, first and second grade to the list of assessments as well, with **Mr. Whiston** noting those tests could change and become higher-stake type tests as the state’s new third grade reading requirements are put into place. The discussion is planned to continue at the board’s February meeting.

MORE MI INCENTIVES FOR AUTOMAKERS ANNOUNCED – Following recent announcements by **Ford Motor, CO.** and **Fiat Chrysler Automobiles (FCA)** of their investments in Michigan auto facilities, **Governor Rick Snyder** stated on Monday of this week (following a two-hour tour of the **North American International Auto Show** floor) that another round of state incentives could be possible for more investments by the two automakers. **Ford** plans to invest \$700 million to create 700 jobs at its **Flat Rock** plant, while **FCA** plans to invest \$1 billion in its **Warren** and **Toledo** plants to create 2,000 jobs. When asked about both incentive packages and the companies’ choice to invest in Michigan over other locations, **Mr. Snyder** stated, “It’s not about incentives. It’s about people looking to get the highest quality products for the best value, and Michigan is the place to be.” The governor was joined by **Lieutenant Governor Brian Calley**; **CEO of the Michigan Economic Development Corporation, Steve Arwood**; director of the **Michigan Department of Transportation, Kirk Steudle**; and director of the

Michigan Department of Talent and Economic Development, Roger Curtis on the tour.

“FAILING SCHOOLS LAW”: TO BE REPEALED? – *Senator Phil Pavlov* (R-St. Clair) announced this week Tuesday his plan to repeal *Section 1280c*, which allows the state to target schools that could be closed and to decide which schools will be closed. Michigan’s *School Reform/Redesign Office* compiles the list of failing schools annually, something *Mr. Pavlov* noted is an issue in and of itself as the list has been delayed or not published in years past. The list also could be inconsistent as each school is measured differently based on district, size, etc. Commenting on how the issues with the list and overall system defeat the purpose of the law, *Mr. Pavlov* noted, “We want to make sure the same accountability measures are being applied evenly across the entire public school system.” Charter school organizations expressed their interest in working on the issue with *Mr. Pavlov* and other legislators, with president of the *Michigan Association of Public School Academies Dan Quisenberry* stating, “A student only has one chance at an education, and no student should be forced to languish in a school that has been chronically failing for years.” *Mr. Pavlov* formally introduced the legislation on Wednesday of this week, the first session day of this year for the *99th State Senate*, while also noting that teacher retirement system reform and school performance will be main topics for the *Senate Education Committee* to tackle this year.

ODDS & ENDS – *Justice Stephen Markman* was elected *Chief Justice* for the *Michigan Supreme Court’s* 2017-2018 term on Friday of last week, which will be his 18th year serving on the *Court*...*Michigan Democratic Party Chair Brandon Dillon* announced he will run for re-election when the party convenes on February 11 for its convention...*Governor Rick Snyder* signed *House Bill 5120* into law on Friday of last week, with the bill requiring a municipal water supply to notify customers of a lead action level exceedance within three business days and to continue to provide public educational resources as currently required by law...13 additional motor carrier officers within the *Michigan State Police* graduated on Friday of last week from the *21st Motor Carrier Officer Recruit School*...according to a forecast released by the *Michigan Homebuilders Association of Michigan*, single-family home construction will increase by 4.2 percent in 2017...on Monday of this week *Governor Rick Snyder* signed *Senate Bill 1088* into law, allowing instate retailers to ship wine and spirits and requires reports of shipments to be given quarterly to the *Michigan Liquor Control Commission*...*House Bills 5821* and *5822* were signed into law early this week, with the package allowing the state to ban purchases from or contracts with certain discriminatory businesses that boycott certain entities...*Governor Rick Snyder* named *Michigan State Housing Development Authority Director Kevin Elsenheimer* as judge of the *13th Circuit Court* on Monday of this week...*Senate Bills 754* and *755* were signed into law this week, updating language and provisions in the school code considered outdated and eliminating/modifying certain reporting requirements...new home to most *Senate* offices, the *Capitol View Building*, will now be named the *Connie B. Binsfield Building* in honor of *Ms. Connie Binsfield* who was the first woman to serve in leadership positions in the *State House*, *State Senate*, and Michigan’s executive branch...the *Capitol Commission* approved \$62 million for the overhaul of the *Capitol Building’s* infrastructure on Monday of this week, though a source for the funding was not determined...*House Bill 6075* was signed into law this week, requiring local governments to file annual report summaries on the fiscal status of their retiree healthcare with the *Michigan Department of Treasury* on their websites...a new school funding study will be conducted by the *School Finance Research Collaborative*, made up of business and education experts, to build off the school adequacy study released in 2016...according to a *House Fiscal Agency* economic outlook released Tuesday, *General Fund* and *School Aid Fund* revenues saw a slight increase from the *May Revenue Estimating Conference* in 2016...the *Michigan Board of Education* chose *Democrat Casandra Ulbrich* and *Republican Richard Zeile* as co-presidents for the next two years, as the board is back to a 4-4 partisan split...according to a study conducted and released by the *Kaiser Family Foundation*, of more than 291,000 people who have health insurance in Michigan through the federal *Patient Protection and Affordable Care Act (ACA)*), roughly 192,000 of them live in nine *Republican* congressional districts...the *U.S. Environmental Protection Agency* announced on Tuesday of this week

that approximately \$1 billion in credit assistance for water infrastructure projects is available under the new **Water Infrastructure Finance and Innovation Act**. **Governor Rick Snyder** signed **Senate Bill 1104** into law on Tuesday of this week, allowing a plaintiff in a medical malpractice suit to recover for the charges billed rather than those actually paid...the **Michigan Licensed Beverage Association** and **Table Tap** have announced their partnership to expand the self-service draft market throughout the state following a new rule recently put into effect in Michigan...the creation of a new **Michigan Veterans Facility Authority** was signed into law via **Senate Bills 1097, 1098, 1099** and **1100** on Wednesday of this week...the **Michigan Department of State Police** announced this week 50 special edition black and gold patrol cars joined the department's fleet in honor of the department's 100th anniversary...the **Michigan Gaming Control Board** announced two of **Detroit's** three casinos saw a revenue increase overall for 2016 from 2015 (**MGM Grand** 1.7 percent increase, **MotorCity** 0.7 percent increase) but all three saw a decrease from December 2015 to December 2016...**Attorney General Bill Schuette** announced felony charges on Wednesday of this week against 10 Lansing-area residents for their alleged involvement in an opioid prescription drug ring, where members of the ring presented forged prescriptions to several Mid-Michigan pharmacies in order to defraud the **Michigan Medicaid Program** and to obtain prescription pain pills...**U.S. Representatives David Trott** (R-Birmingham) and **Debbie Dingell** (D-Dearborn) announced the introduction of bipartisan legislation calling for an inspection of the **Line 5** pipeline currently running under the **Straits of Mackinac**, and for closure of the pipeline if it is deemed a risk to life or environment by the inspection...**Representative Adam Zemke** (D-Ann Arbor) was elected as **House Democratic Caucus Chair** on Thursday of this week, with **Representative Jeremy Moss** (D-Southfield) also having been elected as the **Caucus' Whip**...according to a press release issued by the **Michigan Department of Health and Human Services (DHHS)** on Thursday of this week, the state is in "substantial compliance" with using certain federal funds for foster care services...the **Michigan Commission on Law Enforcement Standards (MCOLES)** announced on Thursday of this week the release of a survey in response to an earlier executive directive issued by **Governor Rick Snyder** to gauge public trust in law enforcement...**Governor Rick Snyder** will give his final **State of the State** address on Tuesday, January 17 at 7:00 p.m.

PLEASE NOTE: The offices of **MHSA** will be closed on Monday, January 16 in observance of **Martin Luther King, Jr. Day**. Please contact a member of the **MHSA** team with any questions or concerns. Thank you!

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