



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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BUDGETS FINALIZED – The *Fiscal Year 2017-2018* budget is officially on its way to **Governor Snyder** for his signature with both chambers adopting the *general omnibus* and *education omnibus* bills this week. All told, a total of **\$56.5 billion dollars**, of which just over **\$10 billion** is *General Fund (GF)/General Purpose (GP)*, is allocated for *FY18*. Budget talks between *Legislative Leadership* and the **Governor** had stalled until the brokering of a *Michigan Public School Employees' Retirement System (MPERS)* deal was reached. Then the final budget agreement came together in the more traditional budget process with both *Legislative* and *Executive* priorities included.

The overall budget is **4%** larger than the current year budget, but represents a **0.5%** decrease for the *GF/GP* portion. The *general omnibus budget* is reflected in **House Bill 4323**, including the following major highlights:

- A **\$150 million** infusion into the *Budget Stabilization Fund*, increasing the total corpus close to **\$880 million**.
- A **\$35 million** deposit into the *Michigan Infrastructure Fund*; the *Governor's Executive Budget* recommendation had included a **\$20 million** deposit.
- **\$12.2 million GF/GP** for a new trooper school training 150 graduates beginning in late July 2018. The *Executive Budget* recommendation had included 100 troopers.
- Some of the largest changes occurred in the *Department of Corrections (MDOC)* budget. The *MDOC* saw a **\$5.3 million** overall *GF/GP* reduction, significantly less than the *Senate* passed version which had slashed operations by **\$41.6 million**. The less dramatic cuts allowed the **Governor** to restore **\$1.5 million** for a new alternative sentencing program for probation violators in 13 West Michigan counties; maintain **\$1.5 million** for the *Goodwill Flip the Script* program; and a one-time appropriation of **\$4.4 million** to train 177 corrections officers to meet projected attrition needs.
- **Revenue Sharing**: Local cities, villages and townships will see a **1.2%** increase over the revised *FY 2016-2017* estimate. Constitutional revenue sharing totals just over **\$798 million** dollars. Statutory, non-constitutional revenue sharing payments include **\$243 million** in ongoing funding, plus a one-time infusion of **\$5.8 million** for a total appropriation of **\$248.4 million**, the same amount as *FY 16-17*. The conference report also includes a one-time supplemental appropriation

of **\$6.2 billion** for cities, villages and townships.

- **House Bill 4313:** The *education omnibus* includes appropriations for *State universities, community colleges* and *K-12/school aid*. *Education* funding will be **\$16.6 billion** gross appropriation with **\$1.5 billion** of the total coming from the *GF/GP*. Highlights from **HB 4313** include:
 - The *K-12/School Aid* budget includes a **\$200 million** payment towards unfunded accrued liabilities in *MPSERS*.
 - The *School Aid Budget* penalizes a school district with a **5% cut** if it enters into a collective bargaining agreement that includes the automatic deduction of union dues from annual compensation. Also included is language that penalizes schools or districts that sue the state. This is a reaction to lawsuits filed earlier this year about shutting down chronically failing schools and to lawsuits filed by districts fighting the use of taxpayer money to reimburse private schools for certain expenses.
 - *K-12* budget includes a funding formula which reflects 2x increase to the lowest funded schools.
 - *Universities* received a **2 percent** increase from last year, less than the **2.5 percent** the *Governor* recommended. *Community Colleges* received an average of a **1 percent** increase in their base funding for the upcoming fiscal year.
 - Increase of **\$6.7M** for *Cyber Security (Technology Management & Budget)*.
 - Increase of **\$1M** to *Pure Michigan* program (*Talent and Economic Development*).
 - Funding for *Medical Assisted Treatment Program (Judiciary)*.
- The *Health and Human Services* budget spends **\$25 billion** annually with **\$4.37 billion** in *General Fund* spending (a **0.6 percent** cut). While integration of *behavioral and physical health* was the most controversial and talked about issue during the process, the uncertainty of the *Federal Health Care Reform/ACA* ‘repeal and replace’ negotiations in *DC* was the elephant in the room throughout discussions. Hanging in the balance is the future of the *Healthy MI Plan* with over **\$3.8B (94% federal funds)** in spending and 670,000 Michigander’s health insurance coverage at risk. The *Conference Report* anticipates status quo spending/assumptions for existing programs - traditional *Medicaid* and *Healthy MI Plan* to remain in effect for the upcoming fiscal year. Next year promises to be a different story...

Debate over the integration of *behavioral (Community Mental Health)* and *physical health (Medicaid health plans)* resulted in new language, commonly referred to **298** - the boilerplate section of this budget. The result of these negotiations will create one pilot program in *Kent County* run by a willing *CMH* and all willing health plans in that county, and up to three demonstration projects with ‘full financial integration’ which will occur with the department contracting directly with *Medicaid Health Plans* to run these programs. The demonstration projects will require significant input of *DHHS* and potentially, federal waivers and statutory changes to the *Mental Health Code*.

Also related to *behavioral health* issues is the *Governor's* recommendation that direct care workers will receive *\$0.50 per hour wage increase*. In addition, the *Caro Regional Mental Health Center* will remain at its current location when/if a new psychiatric facility is constructed.

Significant updates in the antiquated *Child Welfare* payment system are written into the bill with counties no longer being responsible for their traditional *50%* of the cost of care for children served by non-profit agencies. The State will now be responsible for *100%* of these costs.

Other noteworthy issues addressed in this budget include:

- an expansion of *nursing home QAAP*;
- A *Hospice Room and Board* benefit;
- *Graduate Medical Education* data reporting;
- actuarial soundness increase of *1%* will be paid to *Medicaid* health plans and *behavioral health managed care* organizations and *Healthy Kids Dental*.

MPSERS APPROVAL – Under the new *Michigan Public School Employees Retirement System (MPSERS)* legislation that quickly passed both chambers last week, the ability for current teachers to purchase service credits to their pensions has been eliminated. In addition, *Senate Bill 401*, passed on a 55-51 vote by the *House*, will allow newly hired teachers the option of a 401(k)-style retirement option as well as a pension option beginning October 1 of this year.

'MAPS' EXPANSION: FIGHT AGAINST OPIOIDS GROWS – *Lieutenant Governor Brian Calley* announced on Monday the expansion of the *Michigan Automated Prescription System (MAPS)* via pharmacy dispensation systems and electronic health records to hospitals, pharmacies and physician groups throughout the state; the expansion is one more step in combatting the state's opioid abuse epidemic. *Mr. Calley* noted that the state will cover the costs of the expansion through efficiencies in the implementation of *MAPS* itself. Once the integration is complete, physicians and/or practitioners as well as pharmacists will have a more complete look at the prescription of opioids to patients.

HOUSE TAX POLICY REPORTS "GOOD JOBS" TO FULL HOUSE – The *House Tax Policy Committee* this week reported in a bipartisan vote the *Senate's "Good Jobs"* package to the full chamber. The bills had received testimony a week prior to the vote and after several amendments from both parties were adopted, the bills were reported to the full chamber for its consideration. The package is being supported by dozens of industry and labor groups across the state and had passed the *Senate* in a near unanimous vote earlier in the spring. Consideration of the package by the *House* will continue over the summer.

ENBRIDGE LINE 5 UPDATE – Following a second round of pressure tests, the western end of the *Enbridge Line 5* pipeline reported no leaks. However, *State Officials* have cancelled the contract with *Det Norske Veritas*, who was conducting the risk analysis review on the *Line 5* pipeline under the *Straits of Mackinac*, for conflict of interest violations. The *Line 5* alternatives assessment, conducted by *Dynamic Risk Assessment Systems*, will be presented to the state later this month and released to the public on *July 6th* in Holt, *July 24* in *Lansing* and *Traverse City* and *July 25* in *St. Ignace*.

ELECTION BUZZ

- **Republican Shelby Township Clerk Stan Grot** announced his candidacy for Michigan *Secretary of State* late last week, filing a campaign committee with the *State Bureau of Elections*.
- Former staff member for former **Representative Alberta Tinsley-Talabi, Grant Bradley**, announced he will be running for the **68th House District** seat, currently held by **Representative Andy Schor** (D-Lansing) who will vacate the seat if he wins his bid for **Lansing Mayor** at the end of the year.
- **Representative John Bizon** (R-Battle Creek) has formed a committee in pursuit of the seat being vacated by **Senator Mike Nofs** (R-Battle Creek) at the end of this term. **Former Representative Mike Callton** has been raising money for nearly a year for a presumed run in this seat as well.
- **Senator Rebekah Warren** (D-Ann Arbor) is considering a run for the **House** in **2018** when she is term-limited from seeking an additional **Senate** seat. She currently lives in the **55th House District** held by term-limited **Representative Adam Zemke** (D-Ann Arbor).

ODDS & ENDS

- **Governor Rick Snyder** has recommended Executive Director of the **University Research Corridor** and former **MEDC** and **Travel Michigan** employee **Jeff Mason** to replace **Steve Arwood** as CEO of the **Michigan Economic Development Corporation (MEDC)**.
 - **House Bills 4209** and **4210** were signed by **Governor Rick Snyder** late last week, calling for the increase in jury pay to \$15 for a half day; \$30 for a full day; \$22.50 for a second day; and \$45 for any subsequent days.
 - According to the **Michigan Association of State Universities**, Michigan college graduation rates are roughly 10 percentage points higher than federal data previously reported.
 - According to the **Michigan Department of Insurance and Financial Services (DIFS)**, nine health insurance companies have submitted proposals to participate in the federally-run **Michigan Health Insurance Marketplace** for next year.
 - Michigan's **Medical Marijuana Licensing Board** is set to hold its first meeting on Monday, June 26 at 1:30 p.m. in the auditorium of the **G. Mennen Williams Building** downtown Lansing.
 - **House Bill 4396** passed the **House** on a 94-12 vote, calling for the allocation of a \$20,000 income tax deduction to retiring police officers or firefighters who were 59 years of age (or younger) in 2013 and did not pay into **Social Security**.
 - According to a poll conducted by **EPIC-MRA** and commissioned by the **American Cancer Society Cancer Action Network**, 65 percent of Michigan residents support increasing the minimum age for purchasing tobacco from 18 to 21 years of age.
 - **Governor Rick Snyder** ordered flags to be flown at half-staff Wednesday in honor of **Comstock Township Fire Chief Edward Switalski**, who passed away in the line of duty on June 13.
 - A report issued by the **U.S. Environmental Protection Agency** and **Environment and Climate Change Canada** issued the **State of the Great Lakes 2017** report, found in its entirety at <https://binational.net/2017/06/19/sogl-edgl-2017/>, stated the best news was on **drinking water** and that **invasive species** remained the biggest threat.
 - **Senator Dale Zorn** (R-Ida) is looking to add vehicles with amber colored flashing lights to the state's law for slowing down and moving over for approaching or stopped emergency vehicles under **Senate Bill 477**.
 - **Chief Deputy Treasurer Joseph Fielek** is retiring later this summer after 40 years of service with the **Michigan Department of Treasury**. **Ann Good** has been named as head of the **Financial and Administrative Services Group**, **Lyn Boyes** will be promoted from **Director of the Tax Compliance Bureau** to **Director of the Office of Collections** and **Kathy Debien** will take over as **Director of Tax Compliance**.
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