



# 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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**HOUSE PASSES NEW DPS PLAN** – In the end, the passage of three differing plans coupled with hours of legislative negotiation and effort was resolved in less than 48 hours as a last-minute compromise has apparently resolved the *Detroit Public School (DPS)* financial crisis. On Wednesday of this week, *House Republican* leaders released a new option for the problem, spending the balance of the day acquainting *Majority Caucus* members to the plan’s nuances. By Thursday, amid rumors contending the *Senate* would agree to the plan if *House Speaker Kevin Cotter* (R-Mount Pleasant) managed to muster the votes needed for passage in the *Lower Chamber*—which he did, just barely.

Under the plan, the state will provide *DPS* with \$617 million to retire the district’s debt, including \$150 million in transition funding to create a new school district within the city. However, the proposal also limits building improvement expenditures to \$25 million—despite estimates the district requires \$65 million to stabilize its properties—and provides for a school board election in November of this year. Further, the bill eliminates the *Detroit Education Commission*, replacing that body with an advisory board charged with school siting duties and the development of a district-wide transportation plan.

Like its predecessor, the latest *DPS* aid plan was approved on a party-line vote. *House Bill 5384*, the key proposal, was adopted on the minimum votes needed, 55-53, while the funding bill, *House Bill 5383*, went to the *Senate* on a 57-51 vote—a total which included one supporting *House Democrat*.

Following final passage, *House Democrats* immediately denigrated the bill, claiming the bill only pandered to Republican-supporting, charter school advocates. They lamented the loss of the *Detroit Education Commission*—a key provision in the *Senate’s* version—and the absence of an effort to create legislation in a bipartisan fashion. Responding to the allegations, *House Speaker Kevin Cotter* argued *Democrats* had moved the goal posts so many times that they were no longer on the playing field—and, in fact, were no longer even in the stadium.

**SENATE EXPECTED TO AGREE ON DPS PLAN** – Going into the final passage vote for the *Detroit Public Schools* financial aid package in the *House*, it was rumored success in the *House* would translate into a similar result in the *Senate*. That appears to be the case.

Although members in the *Upper Chamber* are still in the process of fly-specking the measures—and the promise of any *Democratic* support is dim—a spokesperson for *Senate Majority Leader Arlan Meekhof* (R-West Olive) said the latest *House* version “is a realistic compromise between the House and Senate proposals.” Despite losing the *Detroit Education Commission*—a component of the *Senate* plan to which *Mr. Meekhof* had held tightly during the lengthy negotiations—observers inside and out were

confident the *Majority Leader* would muster the 19 votes needed to send the legislation on to *Governor Snyder* for enactment.

*Mr. Meekhof* will also have the support of *Governor Snyder* on the bills, as a gubernatorial spokesperson called the legislation “a good step toward a compromise that sets in motion positive progress for the families of Detroit to have a sustainable and successful educational system.” Further, going into the week’s activities, *Mr. Snyder* stated while his preference was to have the *Detroit Education Commission*, its loss would not be a “deal breaker” in his eyes.

**HOUSE DUMPS TAX CREDIT** – As expected, the *House* has repealed a four-year-old statute that inadvertently gave some auto insurers a tax credit of \$80 million. The action came quickly and quietly as the *Lower Chamber* burned the Midnight oil during a lengthy session. Prior to their consideration, discussions were held about the possible insertion of additional reforms to the *Assigned Claims Plan*—the program that covers catastrophic claims for those injured but who lack insurance. However, those talks came to nothing and the measures were approved without additional material. Both bills passed with sizable margins of victory, with the repeal taking effect with the January 1, 2016 tax year and the projected saving already part of the *2017 Fiscal Year Budget* plan.

**BUDGETS TRICKLE OUT** – Going into the *May Consensus Revenue Estimating Conference*, legislators expected some bad news. They were not disappointed. The conferees determined the coming revenues would come in some \$400 million below the level forecast in January when the budget process began. However, key lawmakers felt confident they would establish the required targets in short order—an event that did not happen despite several full days of target meetings. Instead of the usual release of a full set of targets, the process this year saw the goals trickle out as budgets were adjusted downward to compensate for the missing revenue. Ultimately, the process saw the following changes made to some of the state’s individual spending plans:

*Agriculture and Rural Development* — Emerging from conference, the *Agriculture and Rural Development* budget rose above the spending levels proposed by *Governor Snyder*, the *House* or the *Senate*. The \$94.1 million spending plan represents an 8.7 percent increase over current year spending with extra money going to grant programs, animal initiatives, county fairs and food safety programs.

*Attorney General* — the department’s budget has been set at \$101.49 million gross, a 10.2 percent increase and a number higher than initially suggested by the *House* or the *Senate*. Most of the additional funding is to cover the costs of defending the state in the *Flint* water crisis.

*Civil Rights* — the department will receive \$16.25 million, a slight reduction from current year allocations. However, the reductions reflect the transfer of various commissions to other departments.

*Community Colleges/Higher Education* — Despite their best efforts, spending for post-*K-12* education were reduced. The state’s 15 public universities will absorb a \$20 million reduction in the amount suggested by *Governor Snyder’s Executive Budget*, with tuition restraint now set a 4.2 percent. *Community Colleges* will also lose a percentage point in their allocation, dropping from a 2.4 percent increase to a 1.4 percent boost over current year spending.

*Corrections* — The big item in the *Corrections* budget will be the closure of an *Upper Peninsula* prison and its associated savings of some \$22 million annually—with departmental officials now stating the *Pugsley Correctional Facility* will be the prison shuttered. The spending plan covers the cost of a specialty drug to treat *Hepatitis C* and adds new corrections officers designed to replace those lost to

attrition and retirement. Conferees also retained the *Goodwill Flip the Script* and the *Parole Sanction Certainty Pilot* program, which *Mr. Snyder* recommended eliminating.

**Environmental Quality** — The spending plan for the *Department of Environmental Quality* allocates some \$514 million for the coming year, with much of the money being directed toward the *Flint* water crisis. Overall, spending has been increased by 2.7 percent from current year allocations, while pulling some \$10 million in emergency funding for *Flint*; subsequently replaced by a \$5.4 million allocation to the city due to the emergency declaration. The conferees also opted to add \$55 million to assist the city in aggressively replacing the lead service lines that led to the city's water contamination problems.

**Executive Office** — as is tradition, *Mr. Snyder* received the \$5.4 million he had requested for front office operations and staffing.

**Insurance and Financial Services** — The *Insurance and Financial Services* budget remained fairly constant throughout the budget process, with the only major points of contention being the funding of an actuarial study and funding for economic development programs. In the end, conferees agreed to fund the former and opted to ignore the latter. Also included as part of the budget balancing revisions, the inadvertent tax credit previously granted insurers will be repealed to help the state match federal funds for the *Medicaid Program*.

**Legislature** — the legislative budget comes in at \$141.9 million gross, which represents a 4-percent boost in spending—with most of that increase going to general operations expenses. The budget also includes funding for a veterans' facility ombudsman at total annual cost of \$150,000.

**Licensing and Regulatory Affairs** — Conferees agreed to fund four new positions within the *Michigan Agency for Energy* to support a focus on energy mandates, emergency coordination and electric resiliency, demand response and waste reduction reliability expenditures and interagency cooperation. Conferees also included \$3 million for the *First Responder Presumed Coverage Fund*, using unspecified state restricted funds and boosted the allocation to the *Fireworks Safety Fund* revenue to increase the total amount available for firefighter training grants to \$2 million. Finally, the report also includes \$2 million in ongoing funds for additional *FTEs* and vendor support costs for the *Michigan Automated Prescription System* upgrades, along with a one-time allocation of \$1.6 million for *Liquor Control Commission* IT upgrades and \$3.4 million for enhancement to fire protection grants.

**Military and Veterans Affairs** — Totaling \$174.1 million, the *Military and Veterans Affairs* budget boosts the allocation to the *Grand Rapids Home for Veterans* by nearly \$1.3 million, with the added money designed to attract and retain contract nurses through higher wages. Despite the increase, conferees opted to reduce an allocation intended to renovate the Home's fourth floor by 80 percent, cutting the *Governor's* proposal from \$5 million to \$1 million.

**School Aid** — Conferees adopted a report giving school districts and charters schools a per-student boost of between \$60 and \$120 over current year spending. However, the funds will be allocated using the current *Foundation Grant* formula. Overall, the budget calls for the allocation of \$14.162 billion, which represents an increase of 1.9 percent over current year spending. Although the *House* and the *Senate* had adopted funding formulas that recognized districts with declining populations, the conferees opted to ignore that approach. The report also provides for the reimbursement of non-public schools to cover the cost of compliance with state mandates, eliminates the \$10 million initially allocated for educator evaluation training and cut the consolidation allocation from \$5 million to \$3 million, with the bulk of those funds directed toward the *Marshall/Albion* annexation.

**State** — departmental spending has been set at \$248.02 million, which represents an increase of 7.7 percent over current year allocations. The budget also provides \$5 million to replace and upgrade voting machines across the state.

**State Police** — The **State Police** budget cuts 20 candidates from the **2017 Trooper School**, leaving class size at 65 new troopers. Overall, the budget report is nearly \$10 million below the **Executive Budget** proposal, coming in at a total allocation of \$649.5 million. In addition, conferees eliminated allocations of \$6 million to replenish the **Disaster and Emergency Contingency Fund** in anticipation of **Flint** depleting the monies as it works through its water crisis, a \$750,000 appropriation to support the development of a statewide strategy to deal with energy disasters and a \$500,000 allocation to administer a study on drones.

**Talent and Economic Development** — the final **Talent and Economic Development** proposal provides the department with more money than initially proposed. However, with the final allocation set at \$1.15 billion, total spending is still being reduced when compared to this year's allocation. Of note, the budget added \$1.5 million gross to business attraction programs, took \$4.7 million in **General Fund** monies from skilled trades training, added \$3 million for **Protect and Grow** to determine the economic value of defense programs in the state, and added \$1 million in restricted funds into the **Pure Michigan** program.

**Transportation** — The **Transportation** budget will authorize the use of \$100 million from the “lockbox” designed to enhance funding for longer-lasting roads. Conferees also dropped a \$10.5 million allocation proposed by **Governor Snyder** to use **General Fund** monies to cover the road funding gap, but they then diverted a similar amount of money from the **Transportation Economic Development Fund** to plug that hole. The report also earmarked \$8.5 million in monies for three specific projects—a project on **U.S. 31** in **Berrian County**, upgrading **Weston Road** and **Rodesiler Highway** in **Lenawee County**, and creating access between **M-53** and **U.S. 233** in **Macomb County**.

**MARIJUANA DRIVE FILES SIGNATURES** – With all other initiative legislation ballot drives shutting down short of their filing goals, only **MI Legalize**—the group seeking to legalize the use of marijuana—filed the number of signatures necessary to obtain a spot on the November ballot. Even that victory was in doubt as the group readily admitted their total included signatures now considered “stale” and likely to be accepted only if the **Bureau of Elections** accepts the group's effort to resurrect those signatures—an unlikely event at this point in time.

**MI Legalize Executive Director Jeffery Hank** has already said the group would test the **Board of State Canvassers'** current process for determining signatures collected outside the 180-day window are still valid and should count toward the mandated minimum number of signatures supporting the question. He also indicated the group would seek redress through the court system if an acceptable accommodation could not be reached.

The “stale” signature issue has been coming to a head over the past few months as activist groups contend improved technology makes it possible to easily determine the validity of those questionable signatures. In fact, the **Board of State Canvassers** spent time at a recent meeting discussing how those signatures should be treated, but ultimately rejected a proposal on how it should proceed to accept those signatures.

**“STALE” SIGNATURE SUIT FILED** – Seeking to protect the approximately 207,000 signatures they have already collected on the issue, the **Committee to Ban Fracking in Michigan** has filed suit in the **Court of Claims** for authority to carry the signatures forward to the 2018 election cycle. A spokesperson for the group said the suit was being conducted “exactly as the framers of the state constitution envisioned

and designed statutory initiative, not restricted by the Legislature. Citizen-led, grassroots initiatives like ours may take years to carry out a campaign, and carry an idea and proposal forward, face-to-face with fellow voters. Delegates to the 1961-62 constitutional convention wanted to make sure that big money and big organizations don't always dominate. The Constitution is on our side. There is no time period."

**ENERGY BILLS SLOW** – As noted last week, legislation that would dramatically revise the state's electrical generation framework has been reported by the *Senate Energy and Technology Committee*. The measures moved forward into an uncertain political environment, despite the package retaining major facets of the initial 2008 law on the subject. The topic has been a major legislative focal point over the past few years, with the *House* having moved its package to the floor last November—where it has sat since then—while the *Senate* has spent untold hours in their effort to craft legislation sufficiently attractive to the votes needed for passage.

However, unified *Democratic* opposition coupled with ongoing opposition from alternative energy suppliers and market-sourced electric customers may see this package stall on the floor as other have before it. Although the measures now call for Michigan to generate 35 percent of its electric needs by 2025, it does not include a required renewal portfolio standard—a key topic for *Democrats*. Despite the bills' movement, *Democrats* remained optimistic further discussions on the package would be held, noting the announced goal had been to develop bipartisan legislation—a goal some *Minority Caucus* members said was close, but not yet attained.

It now appears those additional discussions will occur. As May wrapped up, *Senate Majority Leader Arlan Meekhof* (R-West Olive) said the *Upper Chamber* would—in a comment which all but assuredly means June at the earliest—vote on the energy legislation “when it is ready.” *Mr. Meekhof* went on to call the movement of the bill a “big lift” while noting most of his caucus had just seen the proposal as it emerged from committee. Commenting on the review process, *Mr. Meekhof* said, “I don't actually know where the caucus is, because a lot of them have not sat in on the energy policy discussion or the committee, so there's going to be a lot of questions. We got maybe a third of the way through it. Folks that don't serve on the committee and aren't engaged in this every day, it's a lot of stuff.” Speaking from a personal standpoint, *Mr. Meekhof* said it would be nice if a vote on the issue could be held before the summer break, but he also observed that “finding the right combination of policies and votes I think is important, and it's going to take more understanding for people before they can cast an intelligent vote.”

The state's electric choice program remains a major hurdle in the bills' movement. A number of legislators want the flexibility in choice programs gone from the statute while others demand the option remain in place and healthy. Some, primarily *Democrats*, have advocated that a higher percentage of the state's energy supply come from alternative energy sources. The measures have also come under fire from numerous outside groups who have labeled the measures everything from monopolistic to too expensive for local governmental units to a “train wreck” featuring oddly assembled coalitions of interest groups that have rarely, if ever, embraced the same position on any prior legislation.

**ODDS & ENDS** – On an 82-27 vote, the *House* has approved legislation requiring students to take a test akin to a naturalization exam while providing more flexibility in credit requirements related to world language and art.....prepared for outside interest groups, a new study released by the *Anderson Economic Group* contends Michigan businesses paid over \$14 billion in state and local taxes during the *2014 Fiscal Year*.....although legislators said they would approve the question if it arrived, *Protecting Michigan Taxpayers*, the group advocating the repeal of the state's *Prevailing Wage* statute, has announced it will not file the signatures necessary to place their ballot question before the *Legislature*.....while the *2017*

*Fiscal Year* budget will provide the state's universities with a 2.9 percent increase in funding, *Eastern Michigan* and *Oakland Universities* will lose \$400,000 each for violating the tuition cap imposed by the *Legislature* in the current fiscal year budget.....taking four months and just barely squeaking through on a 56-53 vote, the *House* has approved legislation that would permit speed limits on some state roads to increase.....the *House Workforce and Talent Development Committee* has reported *House Joint Resolution MM* on a 9-5 party line vote, with the measure being a constitutional amendment to streamline the disciplinary process for classified employees.....the *House Families, Children and Seniors Committee* has reported legislation designed to strengthen child safety seat requirements, with the bill requiring a child weighing under 30 pounds or under the age of two to sit in a rear-facing seat, those weighing 30 to 50 pounds or between the ages of 2 and 5 to sit in a forward-facing seat and those standing 4'9" or less and weighing 50 pounds or more, or between the ages of 5 and 8 riding in a booster seat.....according to a study issued by *George Mason University's Mercatus Center*, Michigan ranks 35<sup>th</sup> nationally in state fiscal health.....*Department of Health and Human Services Chief Deputy Director Tim Becker* will step down next month to pursue private-sector opportunities.....*Libertarian Party* officials say the party, viewed as a potential spoiler in the presidential election, will field a candidate on the Michigan ballot this year.....the *House* has approved legislation designed to prevent schools from expelling or suspending students solely for being truant or chronically absent.....focused on pressing issues closer to home, *Governor Snyder* told the media this week he would not endorse a presidential candidate in 2016.....following the passage of the *DPS* financial aid legislation, a *House Republican* spokesperson said *Lower Chamber* leaders—contingent on approval of the *2017 Fiscal Year* budget—now hope to adjourn for the summer following session on June 9.

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