



# 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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**PRE-SPRING BREAK LEGISLATIVE ACTION** – As *House* and *Senate* members prepare for a two-week spring break beginning at the end of this week, they finalized and released separate versions of many *Appropriations Budgets for the 2017-2018 Fiscal Year*.

On the *House* side, members reported out budgets for the following:

- *Michigan Department of Natural Resources (DNR)*
- Community Colleges
- School Aid/K12
- Higher Education
- *Michigan Department of Education (MDE)*
- *Michigan Department of Corrections (MDOC)*
- *Michigan Department of Environmental Quality (DEQ)*
- General Government
- *Michigan Department of Insurance and Financial Services (DIFS)*
- Judiciary
- *Michigan Department of Licensing and Regulatory Affairs (LARA)*
- *Michigan Department of Military and Veterans Affairs*
- *Michigan Department of Natural Resources (DNR)*
- *Michigan Department of State Police (MSP)*
- *Michigan Department of Transportation (MDOT)*

The *House* has yet to report budget proposals for Capital Outlay and the *Michigan Department of Health and Human Services (DHHS)*. All *House Appropriations Budget Bill Analyses* can be viewed on the *House Fiscal Agency* website: [HFA](#)

On the *Senate* side, members reported out budgets for the following:

- *Michigan Department of Natural Resources (DNR)*
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- *Michigan Department of Licensing and Regulatory Affairs (LARA)*
- *Michigan Department of Military and Veterans Affairs*
- *Michigan Department of Natural Resources (DNR)*
- *Michigan Department of State Police (MSP)*
- *Michigan Department of Transportation (MDOT)*

The *Senate* has yet to report budget proposals for Capital Outlay, the *Michigan Department of Corrections (MDOC)*, General Government, the *Michigan Department of Health and Human Services (DHHS)*, and Judiciary. All *Senate Appropriation Budget Bill Analyses* can be viewed on the *Senate Fiscal Agency* website: [SFA](#)

Both chambers noted their respective budgets for the *Michigan Department of Health and Human Services (DHHS)* will be completed and released after spring break, with the final budget due by June 1.

Outside of budget discussion and distribution, *House* and *Senate* members continued to hold hearings on multiple issues, including the fate of the state's income tax. The *Senate Finance Committee* heard testimony this week on legislation that would eliminate the tax from *Michigan State Treasurer Nick Khouri*, with *Mr. Khouri* agreeing a cut is worthy of consideration, but the system in which to do so must be one that improves the "standard of living for all Michigan residents."

*Mr. Khouri* noted that of the \$38 billion raised by the state and local governments in taxes, 85 percent of those monies are raised via personal income, property (local and state) and the sales tax. Michigan was ranked 34<sup>th</sup> in 2010 and 32<sup>nd</sup> in 2014 nationally in regard to the amount of burden the tax places on individuals, and between those same years, the state went from 18<sup>th</sup> highest overall burden rate to 36<sup>th</sup>. *Chair of the Committee Senator Jack Brandenburg* (R-Harrison Twp) noted that while those numbers are positive indications the state is improving, it is being outranked by states without income taxes, including *Texas, Florida* and *Washington*. No action was taken on *Senate Bill 4*, but *Mr. Brandenburg* noted changes will be considered.

**TAX INCENTIVE PACKAGE PASSES SENATE** – *Senate* members passed a package of bills on Wednesday of this week that would allow businesses relocating or opening a new location to capture 50 or 100 percent of new employees' income tax withholdings for up to 10 years if set job creation goals were met. The bills, *Senate Bills 242-244*, state that businesses creating at least 500 new qualified jobs would receive up to a five-year, 50 percent abatement on the personal income tax withholdings of employees. Those jobs would have to pay the average wage, or higher, of the region in which the business is located, with the prosperity regions to be determined by the state. Companies creating at least 250 new, qualified jobs that pay 125 percent or more of the region's average wage would also be eligible to receive up to a 10-year, 100 percent abatement.

Other aspects of the incentives outlined in the bill included the limitation of 15 projects per year; the public disclosure of the value and duration of the incentive associated with each project; no more than \$250 million in incentives could be outstanding at any one time; and incentives would not begin until the wage and job goals were reached (with those goals required to be verified and maintained each year for the duration of the incentive). Primary sponsors of the bills *Senator Jim Stamas* (R-Midland) (*SB 242*), *Senator Wayne Schmidt* (R-Traverse City) (*SB 243*) and *Senator Steve Bieda* (D-Warren) (*SB 244*), praised the passage of the legislation, with *Mr. Stamas* noting he is "looking forward to working with the new *House* members" on the issue. The bills, named the "*Good Jobs for Michigan*" package, passed as follows: *SB 242* and *243*: 32-5 and *SB 244*: 33-4.

**\$97 MILLION FLINT SETTLEMENT ANNOUNCED** – In a settlement approved by *U.S. District Judge David Lawson* on Tuesday of this week, the *City of Flint* is set to receive \$97 million from the state

by 2020 to assist the city in its recovery from the *Flint Water Crisis*, closing one of the most significant class-action lawsuits as a result of the *Crisis*. The largest allocation of the monies \$47 million, will come from already existing lead abatement and water infrastructure programs, \$40 million will be split evenly between federal monies recently approved by *Congress* and state funds matching that appropriation. The remaining \$10 million will come from those federal monies as well, but will be put into a reserve in case extra funding is needed.

The monies will go toward the replacement of lead or galvanized steel service lines in the city; the maintenance of multiple healthcare programs; increased efforts in oversight; and the assurance that all residents will have properly installed and working filters. *Governor Rick Snyder* praised the settlement, noting it is the best move for the city to go forward from the crisis, stating, “This settlement continues the state’s commitment to providing the resources necessary for the residents of Flint to recover from the crisis, including health care services, nutritional food and replacement of lead service lines throughout the city.” *Flint Mayor Karen Weaver* also spoke highly of the settlement, stating the extra assistance from the state will allow the city to have court ordered funds available for a full recovery.

## ODDS & ENDS

- As of last week Friday, the proposed federal *Patient Protection and Affordable Care Act* (the “*Obamacare*” replacement) failed to garner enough support to pass the *U.S. House of Representatives*, allowing Michigan’s *Medicaid* expansion to remain intact (which could have potentially been negatively affected if the *Act* passed)
- According to a report from the *Michigan Department of Health and Human Services (DHHS)* released on Friday of last week, 107 cases of *Hepatitis A* were confirmed from August 1, 2016 to March 21, 2017 in the counties of *Wayne, Macomb* and *Oakland*
- 518 water systems throughout the state were last tested in 2014, making up about 38 percent of the over 1,300 community water systems in Michigan, data from the *Michigan Department of Environmental Quality (DEQ)* noted late last week
- According to a report released last week from the *Michigan Office of Retirement Services*, the liabilities owed to state employee retirees for post-employment benefits (*OPEB*) has been incorrect, with the debt being noted as shy of roughly \$143 million
- The *Michigan Strategic Fund* approved multiple grants over the past week: one totaling \$850,000 for *Lineage Logistics* to relocate to *Novi* from *California* (expected to create 92 jobs and an investment of \$8.1 million); one totaling \$250,000 for *Paragon Metals, Inc.* to expand operations to *Hillsdale* (expected to create 50 jobs and an investment of \$20 million); one for \$286,000 to *Siliconature Corp.* for a new production facility in *Gaines Twp.* (expected to create 26 jobs and \$19 million in investment); and one for \$496,000 to *HP Pelzer Automotive Systems, Inc.* for a new production facility in *Port Huron* (expected to create 124 new jobs and \$13.5 million in investment)
- *Governor Rick Snyder* ordered *U.S.* and Michigan flags to be flown at half-staff on Friday of last week in honor of *Air Force* captain *Andrew Becker*, who passed away March 14
- *Senator Bert Johnson’s* (D-Highland Park) Lansing and *Detroit* offices as well as his home were raided on Monday of this week by the *Michigan State Police* and the *Federal Bureau of Investigation (FBI)* in relation to an ongoing *Grand Jury* investigation dealing with faulty employee financial statements and missing campaign committee reports
- According to a report released early this week by *Governor Rick Snyder’s Recycling Council*, the state needs to invest roughly \$17 million in additional funds if it wishes to reach its recycling goals, including recycling education and infrastructure for collection
- The creation of the *Detroit Alliance for Fair Auto Insurance* was announced early this week, with the goal being to “educate Detroit residents about Michigan’s auto insurance system and empower

them to be advocates for fair auto insurance reforms at the state capitol.”

- As announced on Monday of this week, the state will receive \$3.8 million in federal funds to assist hospitals in being better prepared for emergency health care issues, and is to be distributed through the state’s *Special Pathogen Response Network* to designated hospitals within the state
- According to an analysis completed by the *Michigan Campaign Finance Network*, state legislators held 416 fundraising events in 2016, with 46 percent of those having been held in Lansing on session days
- The *House Workforce and Talent Development Committee* approved alterations to the state’s high school curriculum standards on Tuesday of this week, allowing for additional options in arts, foreign language, health education and mathematics to count towards the *Michigan Merit Curriculum* requirements
- Public comment periods on the implementation of the state’s new energy laws was announced as open by the *Michigan Public Service Commission* on Tuesday of this week, with sessions set for May 15 and May 22 and comments due by May 3
- The *Michigan Strategic Fund* announced on Tuesday of this week its approval of a \$1.5 million grant to be used for the *Flint Ferris Wheel Innovation Center*
- *President Donald Trump* released an executive order early this week, “*American Energy Independence*”, which calls for the rollback of former *President Barack Obama*’s efforts to lower the country’s greenhouse gas emissions, something those in opposition claim will harm Michigan and the *Great Lakes*
- *Michigan Supreme Court Justice Robert Young, Jr.* announced his sudden retirement on Wednesday of this week, noting he will leave the court no later than the end of April, and plans to return to his former law firm, *Dickinson-Wright* based in Detroit
- Members of the *Senate Families, Seniors and Human Services Committee* unanimously approved *Senate Bills 180-183* this week, which call for tighter regulations for safety child care centers
- Legislation exempting aircraft parts purchased for maintenance projects on general aviation at Michigan repair facilities from sales and use taxes was reported from the *House Tax Policy Committee* on Wednesday of this week
- Under a (soon to be proposed) constitutional amendment from *House Democrats*, a graduated income tax of 1 to 6.5 percent would provide a tax cut for 94 percent of Michigan residents, with higher income earning individuals paying the higher rate
- According to data released by the *Michigan Department of Corrections (MDOC)* on Wednesday of this week, the state’s recidivism rate (percentage of offenders who return to prison within three years) was reported at 29.8 percent for those released in 2013, the state’s lowest level thus far
- *Governor Rick Snyder* signed all but two (*Senate Bill 11* and *Senate Bill 50*) bills of the 20-bill criminal justice reform package on Thursday of this week, with both *House* and *Senate* leaders praising the signature

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