

February 2017

INCOME TAX ROLLBACK SENT TO HOUSE FLOOR

SNYDER DISAPPOINTED

It took the House Tax Policy Committee only 90 minutes to move the Republican's 40 year state income tax rollback legislation (HB 4001) to the House floor, but without a firm plan on how to offset the \$1.1 billion in lost revenue to the General Fund in the first year.

The measure would roll the tax rate from 4.25 percent to 3.9 percent beginning January 1, 2018, and would drop another tenth of a percentage point every year thereafter until the tax is completely phased out, an estimated 40 years.

Governor Rick Snyder expressed "serious concerns" and hoped the full House deliberates more than the 90 minutes the committee spent on the plan and takes more public input before voting on the bill.

The bill as written, may be a tough sell for House Speaker Tom Leonard. Reportedly there are at least six hard "no" votes to the bill and possibly at least a dozen more in the GOP caucus who prefer a vote not be taken without more consideration.

TASK FORCE TO REFORM LOCAL GOVERNMENT HAS BEEN FORMED

Pledging to continue work on local government retirement benefit reforms, Governor Snyder announced appointments to a 20 member task force.

Dubbed the "Task Force on Responsible Retirement Reform for Local Government," the group has been asked to deliver recommendations on pension and health care reforms by the spring of this year.

Leading the group as co-chairs will be David Breen, retired managing partner at PricewaterhouseCoopers, and Ben Carter, executive vice president and interim leader of East Group Operations for Trinity Health.

CRC: FLINT A PRODUCT OF RACISM

A yearlong study with a civil rights focus on the Flint water crisis determined that the underlying issue beneath the crisis is "historical and systemic" with its foundation based on the "segregation of the Flint community."

The Michigan Civil Rights Commission (CRC) report "believes that race was a factor in the Flint water crisis."

The MCRC report said it was not suggesting that those making decisions related to the crisis were racist, or that they meant to treat Flint differently because it's a community made up mostly of people of color.

“It is abundantly clear that race played a major role in developing the policies and causing the events that turned Flint into a decaying and largely, abandoned urban center, a place where a crisis like this one is inevitable.”

UIA WOES BEING USED BY DEMS TO ARGUE FOR BENEFIT BOOST

Under a proposed legislative plan announced by Democrats, Michigan would return to offering 26 weeks of unemployment instead of the current 20 weeks and increase its maximum week benefit to \$483 plus \$120 for the unemployed with children.

The push comes on the heels of the state’s Unemployment Insurance Agency (UIA) mistakenly accusing as many as 40,000 displaced workers with fraud.

Democrats also want anyone falsely accused of fraud to be reimbursed their lost benefits, fees, penalties, legal fees, late fees and other expenses and to increase the penalty to employers that are more than 30 days late with unemployment tax payments by 100 percent.

P3 BILL ON THE SENATE FLOOR

A reintroduced public private partnership (P3) bill (SB 97) has been moved out of the Senate Commerce Committee to the Senate floor with the encouragement of Governor Snyder.

The measure would allow a public authority to enter into public private agreements to develop eligible projects that would include entering into ancillary agreements to public private agreements and exercising eminent domain to acquire property necessary for an eligible project.

GOVERNOR SNYDER PROPOSED FISCAL YEAR (FY) 18 BUDGET

With a \$56.3 billion proposed budget which includes \$500 million in onetime money, Governor Snyder wants to put half of the onetime dollars into the Rainy Day Fund and the remainder to fix a pair of state buildings and give incremental increases to K-12, universities and other programs.

The proposed budget calls for \$10.1 billion in General Fund spending but does not recommend an income tax cut.

An extra \$325 million would go into the K-12 budget as part of a \$12.3 billion School Aid Fund (SAF) that includes a \$128 million foundation allowance increase in which lower funded schools would receive a \$100 per pupil increase and higher funded schools would get \$50 per pupil.

Governor Snyder is also calling for extra money for high schools \$22 million at \$50 per student.

The budget gives infrastructure \$20 million, a far cry from the Governor’s 21st Century Infrastructure Commission which recommended \$4 billion in the coming year.

To deal with the Flint water crisis, \$48 million is included in the budget plan.

Local governments would receive a sizeable constitution revenue sharing increase, more money for universities, 100 more state police troopers, construction of a new psychiatric hospital to

replace the Caro State Hospital, more money for public health workers, and an increase in the state's child clothing allowance.

STATE REVENUES ARE UP

January state revenues were up 4.4 percent from the same month a year ago and about \$21.4 million above expectations, according to the Senate Fiscal Agency (SFA).

The General Fund and School Aid Fund brought in \$2.4 billion in earmarked taxes and lottery revenue. Sales tax revenue collections were \$47.6 million higher than expected but were somewhat offset by lower than expected use tax, real estate transfer tax, and Corporate Income Tax collections.

POSTHUMOUS IS SNYDER'S NEW CHIEF OF STAFF

Former Lt. Governor and Senate Majority Leader Dick Posthumus is Governor Snyder's new chief of staff, replacing Jarrod Agen, who left last month for job in the President Donald Trump administration.

Posthumus has been serving as Governor Snyder's chief lobbyist.

SNYDER NAMES NEW LOTTERY COMMISSIONER

Former Representative Aric Nesbitt has been tapped by Governor Snyder to be the next lottery commissioner replacing Scott Bowen who previously announced he was leaving this month.

His term was effective February 19. His appointment is subject to the advice and consent of the Senate. He will serve at the pleasure of the Governor.

Having just been termed out of the House, Nesbitt most recently served as the Majority Floor Leader for the Republicans and chair of the House Energy Policy Committee.