



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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STATE OF THE STATE SCHEDULED – *Governor Gretchen Whitmer* announced she will be presenting her second *State of the State* address on Wednesday, January 29th at 7:00 p.m. Evening receptions hosted by *Legislative Leadership* will take place prior to her speech and credentials to enter the *Capitol* are **required**. If you plan to attend, or are even considering, please let *Rhonda Smith* know by Tuesday, January 21st at Noon at rsmith@mhsa.com or (517) 484-8800. You will **NOT** be permitted entry into the *Capitol* without credentials.

CONSENSUS REVENUE ESTIMATING CONFERENCE PROJECTIONS -- *State Treasurer Rachel Eubanks* was joined by *State Budget Director Chris Kolb* and directors from both the *House and Senate Fiscal Agencies* this morning at the state's annual *January Consensus Revenue Estimating Conference*. The top economic advisors discussed revenue projections for both the current and upcoming fiscal years.

The remainder of the *FY 2019-2020* budget is estimated to see a \$235.2 million increase in the *General Fund/General Purpose (GF/GP)* and \$85.7 million more for the School Aid Fund. Both of these figures reflect growth from last year's *May Revenue Estimating Conference* projections.

The *FY 20-21* budget which will start on October 1, 2020 will provide appropriators \$11.2 billion in *GF/GP* to negotiate with the executive, an increase of \$182.4 million. The *School Aid* budget is also expected to see growth with a total of \$14.3 billion, a \$392 million increase from the previous estimating conference. Combined, the two funds reflect a **2.3% increase** over previous projections reflecting \$574.4 million more in revenue.

These figures represent the baseline in which *Governor Whitmer* will build her Executive Budget Recommendation from. Presentation of the FY 20-21 budget has yet to be announced.

For additional detail surrounding today's Revenue Estimating Conference including both year end balances and projections for upcoming fiscal years, please click on the links below. Both documents were created by the non-partisan Senate Fiscal Agency.

<http://www.senate.michigan.gov/sfa/Publications/BudUpdates/ConsensusYearEndBalanceJan20.pdf>

<http://www.senate.michigan.gov/sfa/Publications/BudUpdates/ConsensusRevEstimatesJan20.pdf>

MICHIGAN'S ECONOMIC OUTLOOK FOR 2020 – According to *Federal Reserve economist Martin Lavelle*, *Michigan's* economy is projected to be more positive in 2020 than in 2019.

Presenting at the fourth annual *Michigan Economic Forecast Forum*, *Mr. Lavelle* told guests, since the great recession, *Michigan* has consistently outperformed its trend compared to the *U.S.*, meaning the

trend line is somewhere between 1.1 percent and 1.3 percent. He also noted that the state generally enters a recession before most of the country but exits earlier as well because of the state's economic structure.

Not surprisingly, *Michigan's* economy remains largely entwined with manufacturing and the production of "goods". As such, trade policy disproportionately impacts the state's economy. *Mr. LaValle* noted he expects a healthy automotive industry with automobile and light truck sales hovering around 17 million, slightly down from a recent high of 17.5 million, but still very strong. Assuming relations with *China* settle and the revised *U.S.-Mexico-Canada Agreement* (a rewrite of the *North American Free Trade Agreement*) is passed by *Congress*, *Michigan* could be poised for more robust growth in 2020.

GOVERNOR

WHITMER, LEGISLATURE LOOKING AT ALL OPTIONS TO FIX THE ROADS IN 2020 – *Governor Gretchen Whitmer* made fixing the roads a key priority throughout her gubernatorial campaign, promising a bold, comprehensive approach. After one year in office, despite delivering on the promise of presenting a plan, executing a long-term solution remains elusive.

As the legislature returns from their holiday recess this week, speculation is swirling around what options are being considered for road funding. One option to fix the roads would be to bond roads. Within current law, the *Governor* can bond up to \$1 billion without legislative approval. Discussions with *Senate Majority Leader Mike Shirkey* (R-Clarklake) and *House Speaker Lee Chatfield* (R-Levering) have not led to a long-term solution, so one option for the roads to get substantial funding would be to bond them without the legislature's approval. However, the \$1 billion is significantly lower than the needed \$2.5 billion to fix the roads, according to a February 2019 *Citizen Research Council* report.

The last time the roads were bonded, it was done by *Former Governor John Engler* (R) through his *Build Michigan I, II, III Program*. However, the state is still paying off the Engler bonds at a cost of approximately \$160 million per year.

Speaker Chatfield agrees that funding the roads is a key issue going into 2020. When looking for a solution, the *Speaker* wants to ensure all taxes paid on fuel go to the roads and current funds are reprioritized. As automobiles become more fuel efficient and the use of electric cars more prevalent, a gas tax is becoming a less reliable source of funding.

Another option to fund roads is coming from *Senator Pete Lucido* (R-Shelby Township). His proposal however, may disappoint road and infrastructure advocates as it does not call for new revenue but rather shifts money to local governments. His bill would keep the registration fees in the county in which they originate. This would benefit counties with large populations but would reduce funding in more rural counties and state trunkline roads. At this time, it is difficult to predict if this option has sufficient legislative support.

Senate Democratic Leader Curtis Hertel Jr. (D-East Lansing) believes there is a balance in spreading out the costs, so it is fair and equal among all motorists. *Senator Hertel* said one potential option is to raise fees on commercial trucks and semis as they traditionally damage the roads more than an average car. It is important to note, a gas tax increase could still be part of the road funding solution.

While *Governor Whitmer* is looking at bonding the roads, *Senator Shirkey* is considering it as a "last option" as he wants to evaluate current spending and cash-flow. Furthermore, *Senator Shirkey* cited that the state is still paying money from the bonds *Governor Engler's* administration issued. Discussions amongst the quadrant and the *Governor* are expected to begin in earnest next week as they all meet for the first time in 2020.

DEPARTMENT OF LABOR AND ECONOMIC OPPORTUNITY LIST OBJECTIVES IN 2020 – Created in August 2019 by *Governor Gretchen Whitmer*, officials within the *Department of Labor and Economic Opportunity* (LEO) have identified three main objectives they hope to accomplish in 2020.

Under *Director Jeff Donofrio*, *LEO* is aiming to lay the groundwork to get 60 percent of the state's adults a post-secondary degree by 2030; address income inequality; and push for job creation that is not grounded in manufacturing or at risk of being obsolete through automation. This focus comes in *LEO's* first full year as a department.

Director Donofrio articulated these three objectives are all intertwined and the success of one is dependent on the success of the other two. On a recent business development trip to *Israel*, *Donofrio* noted the diversification of that country's economy and that it can be used as an example for *Michigan*, noting, "it's not one silver bullet, but it is a host of different programs, agencies and people that are pointed at these three goals."

Another key issue that *LEO* is dealing with is attempting to restore funding for *Going Pro*, one of *Governor Whitmer's* line-item vetoes in the *Fiscal Year 19-20* budget. *Going Pro* provides funds to employers to assist in training and developing key industry skills for current and newly hired employees. The employees receive a credential that is transferable within an industry. *Director Donofrio* remains hopeful on-going discussions between the legislature and administration will bear fruit, as 22,000 employees were credentialed last year alone, ultimately leading to an income increase of \$6,000 per year.

As 2020 begins, *LEO* is looking to expand the view the citizens in *Michigan* may have of it. Currently, there are 16 different government agencies housed within *LEO*, but *Director Donofrio* does not want the view of it to be a "holding company." The purpose of *LEO*, which was founded by *Former Governor Rick Snyder* (R) and originally called *Talent and Economic Development* (TED), is to create more prosperity and opportunity for Michiganders. By combining multiple state agencies within *LEO* and adding the rest of the state government workforce and economic development functions, both *Governor Whitmer* and *Director Donofrio* believe they can accomplish the departments goals and objectives.

COMMITTEE REASSIGNMENTS – *Speaker Lee Chatfield* (R-Levering) announced several committee assignment changes this week. Some were precipitated by *Representative Sheldon Neeley* resigning his House seat to become the *Mayor of Flint*. The other major change is precipitated by *Representative Jason Wentworth* (R-Farwell) leaving his position on the *House Ways and Means Committee* to focus his attention on other "issues". *Representative Wentworth* is the presumed next *Republican House Leader*, as such, many speculate he will begin focusing his attention on matters related to that endeavor. Below is the list of committee changes announced by the *Speaker*:

- *Representative Luke Meerman* (R-Coopersville) has been appointed to replace *Representative Jason Wentworth* (R-Clare) on the *Ways and Means Committee*.
- *Representative Kyra Bolden* (D-Southfield) has been appointed to the *Ways and Means Committee*.
- *Representative Yousef Rabhi* (D-Ann Arbor) has been appointed to *replace Representative Kyra Bolden* on the *Insurance Committee*.
- *Representative Luke Meerman* has been removed from the *Commerce and Tourism Committee*; *Families, Children and Seniors Committee*; *Agriculture Committee*; and *Local Government and Municipal Finance Committee*.
- *Representative Douglas C. Wozniak* (R-Shelby Township) has been appointed to *the Commerce and Tourism Committee*.
- *Representative Diana Farrington* has been appointed to *the Families, Children and Seniors Committee*.

- **Representative Michele Hoyenga** (R-Manton) has been appointed to the *Agriculture Committee*.
- **Representative Mike Mueller** (R-Linden) has been appointed as Vice Chair of the *Agriculture Committee*.
- **Representative Greg Markkanen** (R-Hancock) has been appointed to *the Local Government and Municipal Finance Committee*.

ELECTIONS

- **Cynthia Neeley** (D-Flint), wife of recently elected **Flint Mayor Sheldon Neeley**, has won the *Special Democratic primary election* in the **34th House District**. **Ms. Neeley** will be completing the final 10 months of her husband's term if she is successful in the general election scheduled for **March**. The seat is considered solidly *Democratic*.
- **Former republican State Representative Tim Kelly** (R-Saginaw Township) formally announced his campaign to run against incumbent *democratic U.S. Representative Dan Kildee* (D-Flint Township) in *Michigan's Fifth Congressional District*.
- **Former House Speaker Tom Leonard's** recent presidential nomination for *U.S. Attorney for the Western District of Michigan* remains in limbo as *U.S. Senator's Debbie Stabenow* (D-Lansing) and **Gary Peters** (D-Bloomfield Township) have effectively blocked his nomination. United State Senators are afforded a special privilege of blocking presidential appointments within their home state.

ODDS AND ENDS

- **Senate Bill 714**, introduced by **Senator Roger Victory** (R-Georgetown Township), would allow Great Lake beachfront property owners to build a temporary breakwall without a state environment permit. While the *Department of Environment, Great Lakes and Energy* has sped up the current process, it takes approximately four months to be approved, leaving lakefront homes at risk of collapsing in the *Great Lakes* due to high waves and erosion of coastlines.
- *The Department of Environment, Great Lakes and Energy* is holding three public hearings in January to receive feedback on new proposed rules on how to regulate the max contaminant levels of **PFAS**. Click [here](#) to view details regarding dates and locations.
- **Senate Majority Leader Mike Shirkey** (R- Clarklake) announced **Jeremy Hendges** as his new Chief of Staff starting this month. **Mr. Hendges** most recently served as special advisor for the *Department of Labor and Economic Opportunity* (LEO).
- **Adam Reames** is leaving his position as *the Assistant Secretary of the Senate* after 10 years. He will become the *Legislative Policy Director* for *Secretary of State Jocelyn Benson*.
- An audit of the *Qualified Voter File* (QVF) found 2,212 individuals were recorded to have voted more than once in an election due to "system processing or clerical errors." The *Office of the Auditor General* considers this more concerning with the integrity of the *QVF* being questioned.
- By 2023, 50 percent of *State fleet vehicles* should be made up with electric cars, and 100 percent by 2025.
- A report conducted by the *Office of Auditor General* (OAG) indicated there are persistent issues with the use of state IT management system *MILogin*. The program is used by state contractors, employees, business partners, residents and various units of state and local government.
- **Representative Jon Hoadley** (D-Kalamazoo) and **Senator Sean McCann** (D-Kalamazoo) introduced legislation to expand the state's bottle deposit law to all beverages except milk containers. **House bill 5306** and **Senate bill 701** respectively, would provide an estimated \$25 million to address contamination sites.
- The court cases known as *John Does v. Michigan Department of Corrections* (MDOC) reached a settlement in this class-action lawsuit. The two cases against the *MDOC* were brought by juvenile prisoners who say the department failed to protect them against sexual abuse.

- In 2019, the *state of Michigan's population* grew by 2,785 people, the second smallest increase over the last 10 years. 2019 was Michigan's eighth straight year of growth in population.
- According to *Michigan Public Service Commission* (MPSC), the number of Michiganders who generated their own energy rose by 59% in 2018. Participation in this program has rose every year since 2006.
- *U.S. Ecology* started collecting firefighter foam that contains PFAS from fire departments this month announced the *Department of Environment, Great Lakes and Energy*. Currently, 784 of 1,030 fire departments in Michigan have participated.
- The petition to recall *State Representative Larry Inman* (R-Williamsburg) fell short an estimated 208 signatures to trigger a recall election. This is the second time the *Bureau of Elections* ruled the petition to be short on valid signatures, the first coming in December 2019.
- *Deputy State Treasurer Jeff Guilfoyle* estimates the state would have an additional \$9 billion in funding if Michigan matched the national average for per capita state and local tax. He made the announcement during a presentation at the *Michigan Economic Forecast Forum*. The national average in 2018 was \$5,170, while *Michigan's* average was \$4,287.

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