



CAPITOL REPORT

July 11, 2006

Legislative leaders and Gov. Granholm have agreed on the broad outlines of a \$9.2 billion general fund budget for 2006-07 and House-Senate conferences will meet over the next two weeks to flesh out a detailed version that is expected to be finalized July 25 and 26.

The over-all budget is 2.06% higher than the current year's and contains these highlights:

- Over-all 3% increase in funding for universities, colleges and community colleges
- A \$210 per pupil increase in K-12 base funding
- No new taxes or tax loophole closings
- No new revenue sharing
- No new welfare time limits or restrictions on Medicaid eligibility
- A 5% increase in Medicaid funding, including for Medicaid HMOs
- Cuts to the Department of Community Health and Department of Corrections budgets below the Governor's original recommendations.

Some details:

K-12 – base per pupil funding will be \$7,085, \$10 more than the Governor originally proposed but slightly less than looked likely just a few weeks ago. However, the deal adds money to middle school math and science, expands declining enrollment funding eligibility, and contains – for the first time – a modest amount for “equity” funding to bring up the lowest funded districts. The general fund will contribute only \$35 million to school monies, and some former general fund obligations (e.g., school bus inspections, low income breakfasts, MEAP testing) will now be paid for by the school aid fund. Garden City schools will have an additional increase in funding, through correction of an old pre-Proposal A problem. Section 81, which funds ISDs, is also slated for an increase.

Higher Ed – a combination of factors will comprise a new formula to distribute monies, and increases over the previous year for each of the state’s 15 public universities and colleges will range from a low of 2.5% to a high of 6%. That’s far better for some schools than original legislative proposals which would have given Wayne State University and Northern Michigan University even less than they had last year. The state’s three research universities (Wayne State University, Michigan State University, University of Michigan) had been pushing for a separate funding bill which recognized their unique role in diversifying Michigan’s economy. The total higher ed budget is \$39.7 million more than the Governor recommended. **Community colleges** also received increases of 3%.

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Monday, July 10 was the deadline for qualifying issues for inclusion on the November state-wide ballot and four proposals appear to clearly have qualified. They are proposals to:

- give constitutional status to the Natural Resources Trust Fund
- restrict government’s power of eminent domain
- ban “racial preferences” and affirmative action (The Michigan Civil Rights Initiative)
- reinstate the ban on dove hunting

Three other groups were also scratching for additional petition signatures right up to the deadline. They were: Stop Over Spending (SOS), which will be bitterly opposed by local governments and others; Michigan Citizens for Life, whose proposal even Michigan Right to Life thinks is extreme under all the circumstances; and Citizens for a Unicameral Legislature, which fell far short of its goal. SOS probably collected enough valid signatures but that probably won’t be finally determined for several weeks. The latter two fell well short of the needed minimum.

In addition, the November ballot will almost certainly contain the **K-16** coalition effort to lock in annual increases for schools which has attracted broad opposition from business and rival recipients of state government funding. That proposal would also seem to be on a collision course with the SOS proposition described above.

Finally, elimination of the Single Business Tax will likely not be on the ballot because the legislature appears poised to adopt the language of the petition and if it does so, the action cannot be vetoed by the Governor. Meantime, the legislature has created a six member special committee to come up with an alternative tax now that the demise of the SBT is a virtual certainty.

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Bills of interest to **architects and engineers** have attracted major attention in recent weeks. The House has passed, and sent to the Senate, HB 5874 which would for the first time in a generation increase penalties for the unauthorized practice of architecture, professional engineering and professional land surveying. The new penalty would be up to a \$500 fine and

90 days in jail for the first offense, up to \$5,000 and one year for the second offense, and the third offense would be a felony. SB 1303, just introduced, would expand the practice of landscape architecture to include the design of storm water systems and the grading of soil, two functions traditionally regarded as the practice of professional engineering. Finally, legislation (HB 4311) which would register interior designers, create a new board within the Department of Labor and Economic Growth (DLEG), and require DLEG to administer an elaborate continuing education scheme continues to be studied by the Senate Committee on Economic Development, Small Business and Regulatory Reform.

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A special House Committee on Tort Reform recently heard testimony from representatives of the federal Food and Drug Administration (FDA). The testimony is part of the committee's inquiry as to whether or not Michigan's FDA defense for **pharmaceutical manufacturers** should be preserved, changed from a defense to a rebuttable presumption, or repealed altogether. The committee plans to obtain more testimony in September from recipient groups regarding the impact a change in the law would have on research.

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House Republicans have unveiled a bill package to help stop what they say is an increasing number of **mortgage fraud** cases in Michigan by making the crime a felony and allocating more money for investigations and prosecutions. The legislative package targets several types of mortgage fraud including equity skimming, mortgage-related identity theft, and the widespread use of property flipping, which involves purchasing property and artificially inflating its value through false appraisals. The package also includes a bill to prevent an appraiser from modifying appraisals in exchange for repeat or future business. The bill creates a felony for appraisal fraud on any level, including influencing appraisers.

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Legislation to fix the state's new minimum wage bill, which many businesses argue is needed to prevent them from having to pay overtime to **commission-paid workers** and others, is back in the Senate as Republicans and Democrats try to negotiate a compromise that will correct the inadvertent problem when the higher minimum wage kicks in October 1. At a minimum, Democratic sources say they want in return a change to a controversial 2004 Supreme Court ruling on who can file for disability payments. A coalition, led by the Michigan Chamber of Commerce, says that if the bill is not passed with immediate effect before October 1 up to 370,000 jobs, previously exempt from overtime regulations, will be at risk.

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A compromise on **beach grooming** will stand as the beach grooming requirements until a long-term beach management strategy is formulated, the DEQ says. The long-term strategy is expected to be complete by July 2007. The report details permissible activities under state law that do not require permits from the DEQ (unless in designated fragile environmental areas) and

those that require a permit statewide. The report cautions that even though DEQ permits are not required, some activities may require permits from other government agencies. The compromise represents a significant accomplishment for Save Our Shoreline, a citizens group which has worked hard to get the DEQ to adopt a more reasonable approach to beach grooming.

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Other notes: Bills which would expand the practice of **chiropractic** (SB 483) and increase licensing standards for **radiological technicians** (SB 231) remain in their first House committee....Legislation (SB 309) mandating a protocol in the event of a breach of a database remains in its first House committee as does legislation (HB 5911, SB 377, SB 833, and SB 1325) allowing a consumer to “freeze” his/her **credit report** in the event the consumer disputes the accuracy of the information gathered....HB 6283 sponsored by Rep. Roger Kahn (R-Saginaw) would require the Department of Community Health to reimburse Medicaid **managed care plans** at actuarially sound rates. The bill has been referred to the House Health Policy Committee....Department of Community Health House and Senate conferees will determine whether the 20¢ per hour wage increase for direct care staff and the proposed \$10 per month increase in the Medicaid **personal care supplement** will survive and be incorporated within the conference report. Meantime, the legislature appears likely to once again include the **SSI supplemental** “pass thru” in the Human Services budget.

Wayne State University received nearly unanimous JCOS approval of its \$43 million self-funded project to extend its self-generated steam capacity from approximately 60% to 100% of its mid-town Detroit campus. The project was vigorously opposed by the incumbent steam provider but legislators were persuaded after learning the project is expected to yield over \$1M in cost savings annually after debt service.... The House overwhelmingly passed a bill (HB 6043) which would for the first time allow local tax abatement for **multi-family housing** developments.... Action is expected this fall on a package of Senate bills dealing with mercury in consumer products with the exception of **automotive mercury**. Mercury switch removal remains the subject of a voluntary MDEQ program which has not produced high participation rates among auto recyclers due to a lack of compensation and liability relief.

Legislation (HB 5800) passed the House which would allow the Michigan Youth **Correctional Facility** in Baldwin to be used for holding prisoners from other state or federal jurisdictions. The bill has been reported out of a Senate Committee and is pending on the Senate floor....Legislation to create a statewide **cable television franchise** system in place of the current local franchises will receive further discussion – but no action – this summer. Among the unresolved issues are the appropriate regulatory agency, the best way to handle public access stations, and the best existing act to make any franchise changes.

The House has amended a charitable gaming bill (SB 435) to allow a qualified organization to conduct up to 20 “millionaire parties” per year (up from 3 currently) but only if such events are held at licensed **horse racing** facilities. The amendment is seen as a potential shot in the arm for the Michigan horse racing industry which is seeing increased use of track facilities for poker tournaments conducted by charitable organizations. The bill now goes to the Senate for final action....Legislative leaders are continuing negotiations on HB 4576, the **road ends legislation**, hoping to come to an agreement between “riparians” and “backlotter.” The

bill currently is in the House Government Operations committee and is most likely to sit there until after the November election....Governor Granholm has signed into law 25 bills which create the **Bureau of Fire Services**, elevating the importance of firefighting within state and local government.

Don't forget: Primary election day is Tuesday, August 8.

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