

# CAPITOL NEWS UPDATE

WEEK OF JANUARY 17, 2014

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## **SNYDER: THE COMEBACK CONTINUES, BUT WORK IS NOT DONE**

In what appeared to be a blueprint for his almost certain re-election bid this year, Gov. Rick Snyder ticked off a plethora of Michigan accomplishments over the past three years – touting Michigan's economic recovery during a greater portion of his fourth State of the State address.

He cited Michigan's lead over all other states in the growth of manufacturing jobs, the addition of nearly 221,000 private sector jobs, tied for No. 1 among Great Lakes states for per capital personal income growth rate and No. 7 in the nation, and marking the first consecutive year's growth since 2003-04.

Looking to 2014, Snyder said he would sign an Executive Order creating a Michigan Office for New Americans to spearhead attracting talented and well-educated immigrants, pledged an extra \$65 million for the Great Start early childhood education program to eliminate the waiting list for low-income kids, called for expansion of the Meals on Wheels and in-home programs for seniors.

He also encouraged schools to consider a voluntary program in which they would extend classes year round particularly at low-performing schools, provide a uniform definition of "truancy" to schools across the state, and urged funding to fight invasive species.

However, he left until the last of his remarks to address key issues that certainly were on the minds of the lawmakers: road funding, Detroit bankruptcy, the budget surplus and tax relief.

On the issue of budget surplus and tax relief, Snyder said it is important first to be fiscally responsible first and then "I believe there is going to be some opportunity for tax relief" but did not offer any specifics but asked lawmakers to consider unpaid bills and needed investments before determining how much to give back.

He only touched briefly on Detroit's bankruptcy saying, "We should get it resolved this year."

Although he did not mention it in his SOS, in closed-door meeting with legislators on Wednesday, Snyder said the state could assist in pulling Detroit out of its bankruptcy by sinking \$300 to \$400 million over 20 years into a fund created by various foundations to stabilize the city's pension obligation.

And on his annual call for additional money for road funding, Snyder, noting the increasing number of potholes of late, said work needs to continue to get the issue resolved.

Snyder received a resounding standing ovation from Republicans when he called on the Legislature to send Congress a non-binding resolution calling for a federal balanced budget amendment to the U.S. Constitution.

He also called on the Legislature to pass legislation that would prohibit individuals from bidding on tax-reverted properties if they have unpaid property tax bills.

## **GREIMEL: MICHIGAN COMEBACK NOT SO ROSY**

In the Democratic response to Snyder's State of the State, House Minority Leader Tim Greimel (D-Auburn Hills) lambasted Republicans for foisting "nearly \$2 billion of tax burden" on Michigan families while rewriting the tax code to benefit "corporations that donate millions of dollars to their campaigns."

Greimel said the Republican plan isn't working and outlined the Democratic solution.

He called for a stop to the rapid expansion of for-profit cyber schools, elimination of the new tax on seniors' retirement income, restoration of the Homestead Property Tax Credit and the Earned Income Tax Credit and return of the \$600 per-child tax deduction.

Greimel also pushed for an increase in the personal exemption on the state income tax, increasing the minimum wage and making sure overweight commercial trucks pay their fair share of road funding.

### **CREC: BUDGET SURPLUS IS \$971 MILLION**

Although the House and Senate fiscal agencies had estimated the state's three-year budget surplus at \$1.12 billion and \$1.27 billion respectively, the Consensus Revenue Estimating Conference (CREC) settled on about \$971 million after the Department of Treasury came in with a \$707.6 million figure based on outstanding Michigan Business Tax (MBT) credits.

The HFA, SFA and Treasury all pegged the FY '13 surplus at \$430 million. However, Treasury reported Friday it estimates Michigan will end the current FY '14 year with \$106 million more than expected – that's lower than the \$264 million from the HFA and \$328 million from the SFA.

In FY '15, Treasury projected \$172 million more than expected, down from the HFA's \$433 million and the SFA's \$514 million.

### **BUDGET SURPLUS SPARKS TAX CUT TALK**

With the nearly \$1 billion budget surplus based on a surplus from last fiscal year and higher amounts expected this budget year and next, Republicans are already talking broad-based tax cuts – for residents, not businesses.

The tax cut talk is coming before Gov. Rick Snyder presents his proposed budget for next fiscal year on Feb. 6.

One tax cut being talked about in the Senate is reducing the personal income tax rate from the current 4.25 percent to 3.9 percent where it was in 2007.

The House is also preparing an income tax cutting plan that could be ready this month.

At this point, however, Gov. Rick Snyder isn't ready to jump on the lower income tax bandwagon, saying he wants to be sure the state is financially sound before jumping on board.

However, the administration is exploring various options on how to put a portion of the budget surplus into the pockets of taxpayers, including rebate checks – the options differing from an income tax phasedown.

Along with the tax cuts, rebate checks, rolling back the pension tax along with more money for roads, schools, local government and the poor are issues that will be debated on how to spend the money.

Nixon says not so fast

While lawmakers zeroed in on tax cuts, State Budget Director John Nixon issued a warning: about \$646 million of the \$971 million surplus is one-time money that can't be built into any ongoing expenditure -- i.e. tax cut. Nixon said only \$325 million will be available in setting the 2015 budget.

### **POLITICS AND POLLS**

**King: Please, Whitmer: No.** A personal request from UAW President Bob King to Senate Minority Leader Gretchen Whitmer (D-East Lansing) to reconsider entering the 2014 gubernatorial race was declined. In a statement Whitmer wrote: "my commitment to at this time in their lives continues to be the most important thing in the world to me."

**AD Snyder to kick off another Super Bowl ad.** It worked in his 2010 gubernatorial campaign with that "One Tough Nerd" ad so Gov. Rick Snyder is going to launch his 2014 media drive with a new 60-second ad that will run during the Super Bowl game on FOX affiliates Feb. 2 at a reported cost of \$660,000. That's in addition to another \$166,130 ad buy his re-election campaign is making on Fox News between Feb. 2 -16.

## M M & A BRIEFS

**New school turnaround strategy is adopted.** The State Board of Education has unanimously adopted a 184-word statement calling on the Legislature to give the Michigan Department of Education (MDE) the power to set the criteria an entity should meet to become eligible to manage a school and also asking lawmakers to give MDE the power to set how a low-performing school would be in and taken out of a school reform district.

**No repeal on abortion insurance initiative.** The American Civil Liberties Union (ACLU) considered a move but had decided not to attempt an overturn of the Right To Life (RTL)-backed abortion insurance initiative which passed the legislature last month. Instead, a focus will be placed on a long-term agenda with a multi-year plan to be released soon.

**State employee contracts are approved.** After two previous deadlocked votes, the Michigan Civil Service Commission (MCSC), on a 3-1 vote, this week approved new contracts for the next two years for union represented state employees. Workers will receive 2 percent base pay increases each of the two years but new hires will be moved into the new health care system which means contributing more for their health care premiums.

**Court upholds school employees' retirement benefits.** In a 3-0 decision, the Court of Appeals has ruled the Legislature's 2012 reforms of the Michigan Public School Employees Retirement System were constitutional and did not amount to the unlawful taking of educators' property. The reforms give school employees choices in selection of funding their pensions.

**Former Lt. Gov. dies.** Connie Binsfeld died on Sunday at the age of 89. She served as Michigan's Lt. Governor from 1991 to 1998 – the first two terms of former Gov. John Engler's administration. Binsfeld was also the first woman to serve as an elected official in the Legislature, first in the House, then the Senate before being elected Lt. Governor.

**Detroit pension debt deal is denied.** U.S. Bankruptcy Judge Steven Rhodes has denied a deal that would have allowed Detroit to pay two banks \$165 million to terminate the troubled pension debt deal that has been blamed for pushing the Motor City into bankruptcy saying the settlement was too expensive and that Detroit was "reasonably likely" to win a lawsuit against the banks involved in the debt deal.

## CALENDAR OF IMPORTANT EVENTS

Jan. 20                      Martin Luther King Day

**CORRECTION:** In the last edition of Capitol News Update, the story titled: "Snyder Signs Campaign Finance Reform Bill" incorrectly stated the amount that can be contributed to House of Representative candidates per election cycle under the new law (PA 252). The correct amount is \$1,000 – not -- \$2,000 as the story stated. Apologies for the error.

