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May 24, 2010

## **FY 2010 BUDGET TO ESCAPE CUTS**

Based on last week's Consensus Revenue Estimating Conference (CREC) mid-year cuts to the General Fund will not be necessary for the remainder of FY 2010 which ends September 30 if certain steps are taken.

Those steps could be: 1) Use more than \$300 million of surplus in the School Aid Fund to pay for community college or higher education expenses; 2) take \$94 million of federal money through a "clawback" provision in the Department of Community Health (DCH); and a one-time \$160 million correction in the federal government calculation of General Motors employee pension benefits. However, Gov. Jennifer Granholm has included the latter item in her FY 2011 budget recommendation.

CREC estimated that state's General Fund will be \$500 million short in FY 2011 but the School Aid Fund is expected to have a \$260 million surplus at the end of FY 11.

CREC's final numbers showed the General Fund down 9.6 percent from last and a drop of \$243.5 million from the January CREC estimates. The School Aid fund is down 1.6 percent from last year but the revenue estimators projected a 4.2 percent drop so the fund has \$291.8 million more than was forecast in January.

Bottom line is there is ray of hope but the state isn't out of its fiscal mess yet.

## **FINALLY, TEACHER RETIREMENT PACKAGE A DONE DEAL**

After weeks of gridlock, a deal was finally struck between the House and Senate that resulted in the passage of, and Gov. Jennifer Granholm signing into law SB 1227, designed to hopefully encourage thousands of public school teachers to retire and save schools an estimated \$3.1 billion over the next ten years.

The package also included HB 4073; language for a health-care trust fund which Senate Republicans argue is only a pass through mechanism to pay health care claims for current retirees and does not create a contractual obligation for school districts to provide health benefits.

The law creates a new retirement system for incoming school employees, bars the purchase of service credit and cost of living adjustments for new workers; requires contributions to their pension accounts and contributions to their health care coverage.

Public school employees who are eligible to retire under the plan have until June 11 to indicate their intention to retire this summer and take advantage of the increases pension checks or continue to work and be required to contribute a percentage of their pay to their pension as well as contribute to their health care coverage.

### **DRIC DRAGS ON**

Despite the Canadian government's offer to pay Michigan's \$550 million portion to make the Detroit River International Crossing (DRIC) a reality, movement on the issue in the Legislature continues to drag on even though lawmakers face a self-imposed June 1 deadline to approve the project.

The loan from Canada would be paid back through tolls from the new crossing. The legislation (HB 4961) has cleared the House Transportation Committee but languishes on the House floor.

House Speaker Andy Dillon (D-Redford Twp.) has not declared DRIC dead. He says the vote, when it comes, will be close. Meanwhile, he is waiting for two amendments that would give the state financial immunity if there are cost overruns on the bridge and tolls do not meet the projections as well as language that absolves the state of liability if land is secured and cleared and then no bridge is constructed that connects to that land.

### **MELTZER POPS IMMIGRATION BILL**

Rep. Kim Meltzer (R-Clinton Twp.) wants Michigan to be like Arizona or at least when it comes to immigration laws. She has announced legislation that would follow Arizona's lead by making violation of federal immigration law a state law as well, thus allowing illegal immigrants in violation to be arrested by local law enforcement in addition to federal agents.

Don't look for any action soon, if ever, on her legislation in the Democratic-controlled House.

### **GRANHOLM SIGNS TEXTING BILL**

Beginning July 1 it will be illegal to text and drive in Michigan.

Gov. Jennifer Granholm has signed into law legislation (HB 4394) that would make texting while driving a primary offense with offenders being forced to pay a \$100 fine.

However, drivers caught texting and driving would not have any points put on their driving record, under a companion bill (HB 4370).

A third bill (SB 0468) puts the fee revenue into the same fund as the driver responsibility or bad driver fees which would be eliminated.

### **SENATE MAKES GOOD ON ITS PROMISE**

Although there were some glitches in the Senate's efforts to get it done, as promised the Upper Chamber using its advice and consent power has rejected appointments Gov.

Jennifer Granholm made in March to mostly university posts because they didn't take effect until the day she leaves office on January 1, 2011.

All of the university board appointments would not expire until December 31, 2018.

### **GAS TAX A LAME DUCK ISSUE?**

Senate Majority Leader Mike Bishop (R-Rochester) is indicating a gas tax hike vote is not revving up on the Senate Republicans' agenda before the November election.

And House Speaker Andy Dillon (D-Redford Twp.) says he is focusing on budget issues and not road funding.

### **POWER PLANT REQUEST DENIED**

Wolverine Power Supply Cooperative's request for an air quality permit needed to construct a new 600 megawatt coal-fired power plant in Rogers City has been denied by the Department of Natural Resources and Energy (DNRE) saying the company did not demonstrate a need for the facility.

The Michigan Public Service Commission (MPSC) staff determined building the proposed plant would increase electricity rates paid by average residential customers putting the state just behind only Hawaii which has a higher average kilowatt-hour rate.

The denial is the first since Gov. Jennifer Granholm's 2009 Executive Directive creating more requirements for new coal-fired plants.

### **MOST OF STATE HAS BROADBAND COVERAGE**

An interactive map released by the Michigan Public Service Commission (MPSC) and Connect Michigan indicates broadband coverage serving 95.41 percent of the people in Michigan.

The 4.59 percent of Michigan households that are unserved represent approximately 174,000 households of which 165,128 are rural.

The map allows users to see levels of service by different broadband service providers throughout the state.

### **FIREWORKS BILL MAY BE FIZZLING OUT**

Just because legislation (HBs 5999 and 6000) that would legalize in Michigan airborne fireworks currently only sold out of state rocketed through the House a couple of weeks ago, don't look for any aerial displays in the Senate soon.

Sen. Alan Sanborn (R-Richmond), chair of the Economic Development and Regulatory Reform Committee, says he will not take up the bills before the 4<sup>th</sup> of July and maybe never.

The measures would create a regulatory structure including licensing.

It is estimated the state would gain \$5 million in revenue if the legislation is enacted.

### **THE RACE IS ON**

Only two Democratic candidates were left standing at the filing deadline after Rep. Alma Wheeler Smith (D-Salem) withdrew from the race. Left to duke it out for the Democratic nomination are House Speaker Andy Dillon (D-Redford Twp.) and Lansing Mayor Virg Bernero.

On the Republican side, it's Congressman Pete Hoekstra from Grand Rapids, Attorney General Mike Cox, Sen. Tom George (R-Kalamazoo), Oakland County Sheriff Mike Bouchard, and Ann Arbor businessman Rick Snyder.

Any candidates that might decide to file as independents on the ballot have until July 15 to file their petitions. The names of former state senator and U.S. Congressman John Schwarz (R-Battle Creek) and Detroit attorney Geoffrey Fieger have been mentioned as possible independent candidates for governor.

### **OPEN SEAT CONGRESSIONAL RACES: 1<sup>ST</sup>, 2<sup>ND</sup> AND 3<sup>RD</sup>**

There will be no Democratic primary in the 1<sup>st</sup> U.S. House District where former Rep. Matt Gillard of Alpena and Rep. Joel Sheltroun (D-West Branch) both withdrew. Standing unopposed is Rep. Gary McDowell (D-Rudyard).

On the Republican side, there are six candidates vying for their party's nomination. Frontrunners appear to be Sen. Jason Allen (R-Alanson) and Iron River physician Dan Benishek. Others are Patrick Donlon of St. Ignace, attorney Linda Goldthorpe, Tea Party supporter Tom Stillings of Eastport and Don Hooper who has been the unsuccessful GOP candidate against U.S. Rep. Bart Stupak since 2002. Stupak is not seeking re-election.

In the 2<sup>nd</sup> U.S. House District there are seven Republicans seeking to replace U.S. Rep. Pete Hoekstra who has given up his seat to run for governor. They are Sen. Wayne Kuipers (R-Holland), former Rep. Bill Huizenga, former NFL player Jay Riemersma, business executive Bill Cooper, Chris Larson of Ferryburg, Field Reichardt of Grand Haven, and Ted Schendel of Honor.

There are two candidates in the Democratic primary: Fred Johnson of Holland and Nicolette McLure of Idlewild.

In the 3<sup>rd</sup> U.S. House District, Republicans have five candidates vying for the spot being vacated by U.S. Rep. Vern Ehlers. They are: Grand Rapids attorney Louise Johnson, Sen. Bill Hardiman (R-Kentwood), Rep. Justin Amash (R-Kentwood), Afghanistan war veteran Bob Overbeek and Van Andel Institute executive Steve Heacock.

The Democrats have Attorney Patrick Miles and Paul Mayhue.