



CAPITOL REPORT

October 7, 2008

They say that in politics one week is an eternity. Sure seems that way in Michigan where just two weeks ago one respected poll actually showed **Sen. John McCain** leading in this state's presidential race. Now, Sen. McCain has essentially written off Michigan as un-winnable and sent the State GOP scrambling for any available life raft.

We now see Republicans losing as many as ten State House seats they now hold and sinking to as low as a 68-42 minority, worst in over 20 years. To be fair, House Republican prospects were fading even before the McCain pull-out, but his "adios" couldn't have come at a worse time. Because **Senate Republicans** aren't on the ballot in '08, a split legislature for the next two years is the worst that could happen to the State GOP. Incumbent U.S. Congressman **Joe Knollenberg** and **Tim Walberg** both look weakened and it's hard to see the Republican state-wide education post candidates bucking the tide, even popular and well-known MSU Trustee Scott Romney. We'll know for sure in just four weeks . . .

Meanwhile, the Legislature finished a good chunk of its business last week and eyes are now turning to a post-election lame duck session lasting four or five weeks. Here's what happened under the dome in the last few weeks:

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House Democrats passed eight bills (HBs 6251-6256, 6261, and 6388) aimed at regulating **nursing home** purchases, but the package is probably DOA in the Republican-controlled Senate. Aimed as a response to the Carlyle Group's acquisition of 28 Michigan nursing homes and pushed heavily by the SEIU, the bills have taken harsh criticism for being an over-the-top giveaway to improve that union's position in future contract negotiations. Among other things, the package requires:

- any new nursing home operation or expansion that needs the sign off of the Certificate of Need Commission to post a surety bond of between \$25,000 and \$250,000.

- any new nursing home operation or expansion wanting a DCH license can be forced to turn over information on staffing, inspections and financial holdings, among other things.
- nursing homes must tell their residents and residents' caregivers about any proposed sale or change of ownership.
- nursing homes must post the names and contact information of anyone with a controlling interest in a nursing home, the names and numbers of the nursing home administrator, nursing director and others with decision-making powers.

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After more than one year of strenuous effort to enact major changes to the state's **utility regulation**, the Legislature has finally enacted bills (HB 5524 and SB 213) that the Governor has signed into law.

HB 5524 changes existing law, which several years ago partially deregulated the utility industry and provided for greater customer choice. The bill allows up to 10 percent of the load of each of the two major utilities to still seek alternative providers, which is actually under the number now exercising "choice." The bill gives the Public Service Commission the ability to certify the need for new baseload plants after a contested hearing. However, the package also allows the PSC to include relative costs and benefits of alternative forms of energy before approving a new, presumably coal-fired plant. Some environmentalist hope that provision will lessen the need for new coal plants once the full benefit of alternative energy is included.

SB 213, which grew from its original nine pages to 102, provides a 10 percent mandated Renewable Portfolio Standard (RPS) by 2015, including solar, biomass, wind, hydro, geothermal, municipal solid waste and landfill gas. Consumers Energy must build or purchase 200 megawatts of new renewable energy by 2013 and 500 mw by 2015. **DTE** would be required to build or purchase 300 mw by 2013 and 600 mw by 2015. The Michigan Public Service Commission (MPSC) could grant two deadline extensions for the 2015 deadline. If two extensions are granted, the provider still could petition the MPSC to be adjudged in compliance. The bill also contains cost caps, \$40 million in consumer tax credits for energy efficiency, and a net metering provision that allows consumers to sell energy back on the grid.

"The legislation will be a catalyst for new construction and energy-related jobs in Michigan," says DTE Energy **CEO Anthony Earley**. "DTE Energy will move forward immediately with the development of renewable energy projects and energy efficiency initiatives in Michigan. The legislation has also provided the certainty necessary to construct new power plants. These projects will provide thousands of highly paid construction jobs and long-term employment for hundreds of engineers, scientists and skilled technicians - just the kind of new economy and jobs Michigan needs."

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Michigan's new strict **high school mathematics requirements** would be altered for students looking at doing something other than going to college under two bills taken up the House Education Committee recently. One moved to the House floor. The other stayed in committee.

HB 6247, sponsored by Rep. Hoon-Yung Hopgood (D), was the bill winning committee approval. It would allow high school students to move to an alternative curriculum sooner. Students would be able to request a personalized curriculum earlier in high school. Current law requires most students to wait until they enter their junior year to make modifications to the state-required curriculum. The bill also would allow teachers to request that students be provided an alternative to the graduation requirements. The bill, as reported from committee, also would require the Department of Education, by June, to develop guidelines for career and technical education programs that would meet graduation requirements.

The bill that stayed in committee, HB 5943, is opposed by Gov. Jennifer Granholm and is sponsored by **Rep. Joel Sheltroun** (D). He argues that the Michigan Merit Curriculum is too rigid and that it incorrectly assumes that every Michigan high school student should be directed toward four-year college.

"Only 20 percent of today's jobs require a four-year degree, the others don't," Sheltroun says. "We need to put the flexibility back into the curriculum." . . .

Two economists from the Upjohn Institute for Employment Research support Sheltroun's position. They contend the curriculum would, rather than preparing students for work, instead push many of them who struggle with the coursework to drop out and so be less eligible for high-wage jobs. They say the state also runs the risk of schools watering down the top courses to be sure more students can pass them, leaving those students who would have taken them anyway with a less-substantial education. Instead, they and Sheltroun propose a two-track system providing a diploma in college prep or career education courses.

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A new study commissioned by **Wayne State University Physicians Group** appears to support the claim that it doesn't receive adequate compensation for the indigent care it provides to the Detroit Medical Center (DMC). WSU School of Medicine and the DMC have been locked in a battle over DMC's withholding Medicaid reimbursement payments. Wayne State says it's been shorted \$17 million by the hospital.

The study by Florida-based HealthCare Appraisers showed that under the agreement between WSU and DMC signed in 2006, required the fair market value of the care its provides Medicaid patients is \$36.8 million to \$43.4 million. Wayne State still hasn't even received all of the \$19.2 million it's supposed to get under the DMC contract. The report also concluded that Physicians Group doctors were compensated at lower rates than benchmark data.

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Michigan's 2008-09 **Department of Transportation budget** has been signed into law by Gov. Jennifer Granholm after the Senate approved HB 5808 on a 37-0 vote. Passage staved off a threatened shut-down of highway construction and maintenance projects. The \$3.6 billion appropriation passed the chamber unanimously, but only after Sen. Alan Cropsy (R) won major concessions regarding a proposed a new Detroit River International Crossing. Under a compromise agreement, before any effort to actually build a bridge could begin the Legislature would have to agree to: create a public-private partnership, authorize the setting and collection of tolls, and create a governing structure for the bridge. The budget also effectively commits the state to completing the gateway project now underway at the site of the Ambassador Bridge, including state support for a second **Ambassador Bridge** span. State and federal officials have said on several occasions if a second span at the Ambassador Bridge could be built they would support it, but Canadian officials have so far resisted building the second span because they say they do not want it so close to downtown Windsor.

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The Governor has signed into law SB 511, the **capital outlay** budget. The measure includes \$281.1 million in projects, including funding for six university, 12 community college, 65 Department of Natural Resources Trust Fund and 21 State Building Authority projects. **West Shore and Henry Ford Community Colleges** are among the institutions funded.

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The task force charged with finding money for Michigan's road repairs has been asked by the Legislature to find new and alternative means of raising **transportation funds**, which basically leaves the state's motor fuel tax out of the mix. One of the task force co-chairs even predicts that the days of the 19-cent state gas tax are numbered.

"Even without the most recent spike in gasoline prices . . . we're clearly at the beginning of the end of a transportation system that is funded primarily through user fees on motor fuels," said co-chair Rich Studley, the Michigan Chamber of Commerce president and CEO.

Instead, he says the group will look at a variety of proposals, including local options that would allow county governments to impose a local gas tax, a boost in driver licenses and registration fees, and a possible sales tax. Any local option, Studley said, must be subject to a citizen vote, and should include limits and a sunset so that voters could evaluate whether the program worked. He says the task force will also debate new aeronautics fee increases and more public-private partnerships concerning concessions, toll roads and contracting out certain highway services.

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Senate Republicans have launched an effort to restructure the **Michigan Business Tax**, hoping to reduce the burden of that tax and spread it more evenly across the businesses of the state. Key points of the plan are: eliminating the surcharge on the MBT, removing certain taxes and fees from the gross receipts portion of the base and reducing the cost to the state of some of the economic development credits. Senate Majority Leader Mike Bishop (R) says there could be additional elements coming including proposals for spending cuts and reforms to account for the revenues lost by the tax changes. **Senate Finance Chair Nancy Cassis** (R) said the MBT was sold as a replacement for the Single Business Tax, but she said it has turned out to be more than that. She said the tax, with the 21.99 percent surcharge, is on track to collect \$2.2 billion, an increase from the \$1.7 billion collected under the SBT.

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Blue Cross/Blue Shield of Michigan (BCBSM) says the Company would rather start from scratch with new bills next year rather than go along with the current Senate Republican version of individual market reform. But the Blues say they are still optimistic about a compromise going through in the post-election lame duck legislative session. The Senate version of HB 5282 and HB 5283 doesn't include a high-risk pool, which was at the heart of the Blues-backed House bills that passed last fall. Instead, the Senate version includes consumer protections without changing the Attorney General's role, expedites rate filings, and calls for a one-year study on the individual market and high-risk pools. The Blues are watching **a compromise** reportedly being thrashed out by a bi-partisan work group, which some believe could give the company much of what it says it needs.

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If the Legislature and voters approve a constitutional amendment changing the way property taxes are assessed (HJR III), homeowners will see relief. But it will be at the expense of services provided by local units of government, **municipal officials** are warning the Legislature. One preliminary cost estimate of the measure, which received unanimous support in the House this week, is that it will reduce revenue for schools and local units of government by \$100 million in its first year of implementation. That's on top of the 4 percent decline in property tax collections municipalities can expect this year. Municipal officials called the measure "irresponsible" and said House members were "catering to a populist idea without any analysis."

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