



CAPITOL REPORT

April 15, 2002

Happy Tax Day! (And onions to the federal lawmakers and bureaucrats who've saddled us with the world's most complex, mind-numbing, and thoroughly frustrating internal revenue code.)

Unemployment Compensation; School Aid

Meanwhile. . . here in Lansing, the Legislature is back in session after a two week Spring break and racing toward an early June summer break. Dozens of controversial bills are moving their way through the legislative process and the need for extra vigilance will be greater than ever in the weeks ahead.

In their first three days back, legislators finalized a revised unemployment compensation bill and gave a final approval to the 2002-2003 school aid budget. The unemployment compensation controversy threatened to tear the House Republican caucus apart, strained the normally close relationship between the State Chamber of Commerce and the House GOP, and potentially jeopardizes Republican control of the House in the upcoming 2002 elections. As finally passed, unemployment compensation benefits will increase from the current maximum of \$300 per week to a new maximum of \$362 with no "waiting week." Persons below the maximum, about 40% of all recipients (now totalling about 200,000), would see no increase. Both business and labor gave only luke-warm support to the compromise which was reached after a marathon eleven hour House session lasting into the early hours of Thursday, April 11. Employers will actually see a slight unemployment compensation tax decrease under the measure.

A school aid bill was wrapped up by the earliest date in decades when the two chambers gave approval Thursday to a \$12.7 billion 2002-2003 spending plan for K-12 and ISDs. The per pupil foundation allowance will increase to \$6,700, made possible in part by a shift in the date on which the state portion of school property taxes are collected. In a

surprising development, money for small school districts with declining enrollments was limited to lower peninsula districts only. The Governor says he will soon unveil a \$6 million technology initiative specifically benefitting upper peninsula districts, allowing them to better hook-up for “distance learning” opportunities and better equipping UP students with appropriate technology. He says the “pay out” will be better than what the UP districts would have received from sharing in declining enrollment funds. UP legislators, however, remain skeptical and voted “no” on the final conference report.

Medicaid fees on Nursing Homes, Qualified Health Plans

Organizations representing about half of the nursing homes in the state and all of the Qualified Health Plans operating much of the state's Medicaid system have joined Gov. Engler in supporting a plan to assess fees on those entities to attract more federal Medicaid dollars. The assessment, \$2.77 per bed per day for the nursing homes and 1.93 percent of premiums for the Medicaid HMOs, would generate \$100.4 million in revenue to the state, which the federal government would then match with \$122.8 million in new funds. It is estimated that the plan would provide an overall increase of 5 percent to HMOs and 7 percent to nursing homes. The Governor said the proposal to assess the fee was the only option left to the state for increasing Medicaid funding without also increasing state general fund spending. The assessment, also called a “provider tax,” still faces a tough battle in the legislature where many lawmakers are wary of the “t” word in an election year.

Prison Visits

The U.S. 6th Circuit Court of Appeals, has rejected a Michigan Department of Corrections policy regulating non-contact visits between prisoners and family members. The court's three-judge panel unanimously declared the regulations a violation of prisoner constitutional rights, in some cases amounting to cruel and unusual punishment. The policy, adopted in 1995, banned visits from a prisoner's minor relatives, from children when parental rights had been terminated and by former prisoners who are not immediate family. It allowed visits by a prisoner's children only when another adult family member or guardian is present, and permanently banned visitors (other than attorneys and clergy) for any prisoner who twice violated drug abuse policies. Corrections spokesperson Matt Davis said the department was disappointed with the ruling, and may appeal.

Charter Schools

A special Commission on Charter Schools has recommended that the state allow for another 130 public school academies chartered by universities over the next five years, but that the schools be subjected to additional oversight and controls. "If the

Legislature accepts all of the Commission's recommendations, charter school growth will be limited and monitored, and charter schools will be treated like the public schools they are," said MEA President Lu Battaglieri, who participated in the commission and whose organization has long been critical of charter schools.

Whether the Legislature can agree with the compromise reached by the commission remains to be seen. Sen. Loren Bennett, Education Committee Chair, said Senate action on legislation enacting the report will begin almost immediately and that he hoped legislation would be on Gov. Engler's desk by the summer recess. Holding legislators together on the issue could be tough with interest groups on both the liberal and conservative ends of the political spectrum already criticizing the recommendations.

Court District Realignment

Legislation to realign court districts in the Northern part of the lower peninsula has passed both Chambers, but the Governor's judicial retirement proposal was stripped out of the bills following intense media attention which generated major opposition to what some perceived as a "court packing" plan.

Meanwhile, legislation is being prepared by Sen. William Van Regenmorter with the participation and review of the Michigan Probate Judges Association on the subject of diversion of juvenile cases.

Local Taxing Units and Community College Districts

Legislation to allow local taxing units to withdraw from community college districts appears to be stalled. Although several community colleges are officially neutral, the Michigan Community College Association vehemently opposes the bills introduced by Rep. Bill O'Neil and supported by many Wayne County communities. . . A bill which would contain provisions for municipal park tax relief is still quietly working its way through the Legislature, with a target of late May for possible passage.

New Rules for Marinas

The Department of Environmental Quality is readying a set of new marina rules that may greatly concern potential marina developers and the boating industry in general. The DEQ has recently lost several lawsuits over what kinds of docks constitute marinas and so are drafting rules that would cover private docks that have never had to be permitted. Condos and multiunit riparian owners appear to be their target. Anyone with more than 5 boat slips would need a permit and developers of marinas would have to go through new and expensive procedures. Opponents say DEQ's expected set of rules are

without statutory authority and are designed to insulate the bureaucracy from bothersome lawsuits.

Community Health budget bill

Funding for cancer research, education and prevention programs for Michigan State University is contained in the Senate-passed version of the Community Health budget bill. Meantime, the House will be carefully reviewing Senate language designed to effect pharmaceutical cost savings. Medicaid administrators claim its new prior authorization plan is working well, but many pharmaceutical providers and consumers are skeptical.

Funding for transit systems

The Department of Transportation has not done enough to ensure adequate state or federal funding for transit systems in the state, according to a report released by the Michigan Land Use Institute. The report showed that Michigan is sixth among the states in per capita transit spending, that Detroit is 13th among major cities and that the state brings in \$100 million less in federal funding than it could for bus and train services.

Certificate of Need legislation

Certificate of Need legislation is heating up again. Sen. Glenn Steil and Rep. Robert Gosselin are leading efforts at broad repeal. That's not likely to happen, but there is reason to think that any vehicle bill that gets to the floor of either Chamber could result in passage of significant changes in CON. Also, "prompt payment" for physician services is moving through the process and a physician self-referral bill has passed the Senate and is pending in the House.

Michigan-Ontario Professional Cross Licensing

Governor Engler has called for professionals to be able to work in either Michigan or Ontario without licensing and other conflicts. In a recent Chicago speech, Engler said the state and the province should use the European Union model, which essentially allows professionals and business executives from all the member countries to practice in any other country without facing significant bureaucratic hurdles. The state and province already see one of the greatest rates of transfer of economic goods in the world through the border between Windsor, Ontario, and Detroit.

State revenue estimating conference

The next revenue estimating conference between the State Treasurer and Senate and House Fiscal Agency Directors is scheduled for May 16, in the House Appropriations Room. At the meeting the three will review economic developments since the January meeting and set the final revenue estimates for the 2002-03 budget, which will be used by the administration and Legislature to fill in details of the various departmental and K-12 budgets.

Community College Budget

Gov. Engler has signed the 2002-03 budget for Michigan's 28 community colleges, which sets overall funding at the same level as for the current fiscal year. Mr. Engler said the budget in S.B. 1100 was a tight budget but "a very important budget" considering the training that community colleges provide students for jobs in high tech industries. The budget, because it maintains funding for the two-year schools, compares very well to other states that have had to cut funding for their community colleges because of the economic slowdown, Mr. Engler said. Unlike the higher education budget signed last week, the community colleges budget does not include a provision requiring the two-year schools to limit tuition increases.

Potpourri

Kelley Cawthorne is actively engaged in securing a prompt committee hearing for HB 5883, legislation mandating the implementation of a quality based selection system for the procurement by the state of a design professional. . . We are also working on amendments to HB 5819 to ensure that public safety regarding residential construction will be maintained. . . Legislation to establish a scope of practice for interior design is also high on the radar screen. . . Use of credit scoring in auto insurance rating is getting increased attention and the likelihood is growing that legislation on the subject will soon surface. . . Cuts in funding for Wayne County's Community Mental Health Board are causing increased concern, especially for those providing residential-based services.

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