



CAPITOL REPORT

June 27, 2003

The **Republican-dominated Legislature** is making a mad dash toward passing 2003-04 budget bills before the Fourth of July, but . . .

Is it really an **exercise in futility**? We think maybe it is because over-all spending targets have still not been set by Democratic Governor Granholm and GOP leaders and, in any event, there still remains a substantial revenue shortfall caused mainly by legislative reluctance to pass significant revenue generators. Despite all the rhetoric on both sides, we think the Executive and Legislature are far apart on key budget issues and we still believe a budget won't be finalized until September.

The Feds provided at least a partial budget life-line by including new money to states in the Bush tax cut package just passed by Congress. But a good portion of the \$700 million Michigan will get over the next two years is already spoken for. Major wage concessions by state employees, a cornerstone of the original Granholm budget plan, have not been forthcoming, and GOP lawmakers have so far OK'd tax "loophole" closings \$100 million less than proposed by the Executive. At the same time, budget bills emerging from conference committees exceed the Governor's recommendation by some \$316 million. **Bottom line:** the numbers don't come close to the constitutionally required balanced budget, and it's hard to see how they will anytime soon.

The **Governor's fee increase bills** have fared somewhat better in the Legislature than the tax "loophole" closing package, with a whole array of such bills now beginning to move in the two chambers. But increases for nursing home licenses have run into stiff opposition (especially fees for long-term care beds which could jump from \$2.20 to \$10). Also in major contention are fees for the National Pollution Discharge Elimination System (NPDES) which the Legislature wants to cut to \$3 million from the Governor's recommended \$7.2 million in charges on users. Legislators are likely to approve moderate increases in storm water, ground water and solid waste discharge fees. Meanwhile, eleven bills raising some \$15 million in judicial fees is moving and will help keep the 2003-04 judiciary budget balanced.

Transportation:

A compromise may be in the offing over Governor Granholm's plan to delay indefinitely 34 road expansion projects and instead use much of the money on maintenance and repair. Several legislative Democrats have called for restoration of new construction projects in their home areas and Republicans, particularly the Oakland County delegation, have strongly criticized the Governor's Preserve First program. Indications are that the Governor may be open to compromise, made easier by increasing prospects of major new federal highway dollars coming to the State through U.S. Congressional revision of federal formulas.

Health Insurance:

Legislation setting "rate bands" for health insurance charges is on its way to the Governor's desk after final approval in both chambers. The package was supported by Blue Cross/Blue Shield of Michigan. SB 460 sets the upper and lower limits that insurance companies can set rates for companies with between two and 50 workers would be set at plus-or-minus 35 percent for Blue Cross/Blue Shield of Michigan and health maintenance organizations. The rate band would be set at 45 percent in 2006 for commercial carriers but that would be phased in with rate bands of 70 percent for 2004 and 55 percent for 2005. If a commercial carrier decided to cover a sole proprietorship, it could boost rates by as much as 25 percent. Age would be included as a factor within the rate bands, meaning commercial companies could not significantly discount coverage to companies for their younger healthier workers.

SB 234 amends the Blues enabling statute and would allow it to acquire disability insurance companies outside Michigan, and to contract with health care facilities out of state, such as the Mayo Clinic in Minnesota and the Cleveland Clinic in Ohio, without going through a local Blues health plan.

K-12 Legislation:

A number of bills affecting K-12 schools are continuing to move thru the Legislature. The House Education Committee has approved a bill already passed by the Senate which would allow 200 additional university chartered schools by 2012, plus 25 new charter high schools and 15 urban charter high schools in Detroit. Gov. Granholm opposes the bill in its present form but has indicated she might support a modified version.

Teachers, administrators and professors would have one shot to restructure the teacher certification system under HB 4716, reported from committee on strict partisan lines, with Republicans "for" and Democrats "against." As reported, the bill creates a nine-member Teacher Certification Advisory Commission made up of teachers,

superintendents, representatives of university education programs and an employee of the Department of Education. Under the bill, the commission has one year to come up with its recommendations.

Legislation projected to raise \$100 million for the School Aid Fund through refinancing of school bonds was unanimously approved recently by the House Appropriations Committee. Two bills, which have already passed the Senate, let schools repay their outstanding balances in the school bond fund by borrowing money from the Michigan Municipal Bond Authority (SB 572 and SB 573). The change would eliminate a disparity between amounts owed to the state by schools and the lesser amount at any one time that the state owes to bondholders under current arrangements where the state pays its bonds faster than schools repay the money they borrow.

School districts could have state regulations waived in exchange for promising to meet certain levels of academic achievement under bills narrowly passed by the House. Known as the “ed flex” package, the bills are designed to allow school districts who think they could perform better without a particular regulation the chance to do so. But opponents say the regulations now in place under the School Code are there for a reason and should not be waived. Democrats also charged the bills would allow districts to escape collective bargaining agreements.

Election Consolidation:

Election consolidation bills impacting both schools and local municipalities have cleared the House and are moving to the Senate. The nine bill package strictly limits when cities, villages, community colleges and school districts can hold elections. The bills would require elections for schools and community colleges to be held in odd-numbered years in November. They would have the option of holding elections in odd and/or even numbered years in May, or the November date in odd and even numbered years. School districts could schedule a special election on a millage increase or bond request if supporters collect petition signatures equal to 10 percent of the district’s voters in the last gubernatorial election or 3,000 signatures, whichever is less. Districts would be limited to one special election per year, and it could not fall within 30 days of a regular election.

Cities and villages would be required to hold their elections in even-numbered years in November with primaries in August. Alternatively, they could instead schedule an election in May with a primary on the fourth Tuesday in February. Local governments and schools would have one year to select an alternative date otherwise they automatically would be required to use November in odd-numbered years (for schools and community colleges) or November in even-numbered years (for cities and villages). The bills also give election administration to municipal and county clerks, who already run all other elections.

Hospital Moves:

Gov. Granholm has created a nine-member Detroit Medical Center Fiscal Stability Task Force and charged it with looking at the on-going financial difficulties and governance matters of the DMC. The Governor will appoint three members to the task force. Wayne County Executive Robert Ficano will appoint three others, as will Detroit Mayor Kwame Kilpatrick. DMC is the only level-one emergency trauma center in Wayne County and has been certified by the American College of Surgeons as being able to handle bioterrorism incidents and serious burn victims. Earlier this month, the Certificate of Need Commission in a procedural vote allowed Detroit based hospitals to relocate beds to Oakland County.

Notes:

Likely new member and probable chairman of the **Public Service Commission** is Assistant Attorney General Peter Lark. He served under then Attorney General Frank Kelley and is widely regarded as able and knowledgeable on public utility issues . . . Legislation to restrict predatory lending practices is being readied for introduction this Fall . . . Increased state **taxes on tobacco** do not seem to be a prospect, mainly because legislators realize the already high charges would only encourage increased bootlegging into Michigan . . . **Horse racing legislation** which passed the House earlier in the session is still on track to be heard by the Senate Commerce Committee this Fall as part of, or soon after, budget discussions . . . Legislation aimed at trying to give Michigan consumers some control over **e-mail spam** won unanimous approval in the Senate recently. SB 357 would require creation of a “do-not-e-mail” list, similar to a do-not-call list for telephone solicitors. Also approved was HB 4519 that would require an “ADV” notice on an e-mail’s subject line to alert a viewer that the item was unsolicited e-mail . . . A controversial bill to amend the State’s **corporate laws** regarding take-overs (HB 4764) has been delayed in the Senate to at least September. The bill has been widely criticized as anti-shareholder and as a special interest attempt to interfere with on-going federal litigation . . . The Senate has approved Governor Granholm’s proposal to **cut local revenue sharing** by 3% but included Detroit (previously exempt) in those to be cut . . . Part of the legislative package **regulating the extraction of groundwater** and requiring the DEQ to map and monitor critical aquifers has been enacted, while the other pieces are expected to gain legislative approval sometime this summer . . . The first work group session on the revision of Michigan’s forty seven year old **Drain Code** took place on June 19 . . . Work continues on stopping an initiative promoted by the Michigan Association of Home Builders which would allow one licensee to join another to an **administrative enforcement action** even if the licensee joined is regulated by an entirely different article of the Occupational Code . . . Kelley Cawthorne has been successful in its efforts to keep bottled up legislation (HB 4176) which would allow **physical therapists to expand their scope of practice** to include imaging . . . DEQ continues to study the issue of **mercury containing components** in automobiles and specific proposals from the Department should be

released later this year . . . An array of bills affecting **property management** remain in legislative committees and could see action in the fall . . . Legislation will be introduced this fall to amend the **age waiver criteria** for residence in **homes for the aged** . . . The Granholm administration is taking a harder line on the use of **credit scores to establish insurance rate** discounts. While legislation to ban the practice altogether has been stalled, the administration, through the Office of Financial and Insurance Services, seems intent on reigning in credit score use . . . The **Higher Ed budget** bill essentially knocked out the “tier” approach to college and university funding. It provides for across-the-board cuts of 6.74% except for four schools who will benefit from a new funding floor of \$3,900 per student. Being \$100 million over the Governor’s recommendation, the Higher Ed bill may face major revision.

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Kelley Cawthorne

Attorneys and Governmental Affairs Counselors

101 S. Washington Square - 9th Floor

Lansing, Michigan 48933

Phone (517) 371-1400

FAX (517) 371-3207

E-mail: kc@Kelley-Cawthorne.com

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