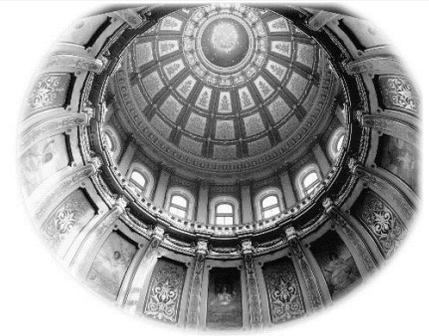


CAPITOL NEWS UPDATE

WEEK OF January 18, 2016

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CAPITOL NEWS UPDATE NEWSLETTER COPY FOR
The Week of January 18, 2016 – Early Edition due to State of the State

SOS FOCUS IS ON FLINT

Speaking directly to the people of Flint, Gov. Rick Snyder led his sixth State of the State address with an apology, a commitment to fix the water contamination problem he has called his “Katrina” and put forth a 6-point plan to address the immediate needs.

Snyder put forth a \$28 million supplemental with \$22 million coming from the General Fund to:

- Provide additional water filters, replacement filters and bottled water for Flint residents.
- Provide financial assistance for Flint utilities to alleviate the need for the city to send out shutoff notices to residents for not paying their bills. The money will go directly to the utilities, not to the residents.
- Replace all faucets in Flint’s schools and daycare centers.
- Provide medical help for affected children, including diagnostic tests, behavioral treatment, and programs at local hospitals and nurse visits for schools.
- Provide support for health centers that care for adolescents and young children.
- Support an infrastructure integrity study to examine Flint’s water pipes.

Snyder emphasized that this is only the first-step spending plan. “This is not the last budget request for Flint.” It is likely that much more money for the beleaguered city will be included in the FY 2017 budget slated for introduction on Feb. 10.

“You need to know the buck stops here with me,” Snyder said, adding, “I take full responsibility to fix the problem.”

Snyder called the challenge serious but solvable. “The question is, can we come together today or do we let politics and finger pointing get in the way?”

Even though the governor’s office is exempt from the Michigan Freedom of Information Act (FOIA), Snyder pledged to release his 2014 and 2015 e-mails related to the crisis. Many groups have requested them as a step toward greater transparency on the issue.

SNYDER: DPS NEEDS A TRANSFORMATIONAL CHANGE

The Detroit Public Schools half-billion dollar debt problem was addressed by Gov. Rick Snyder as he urged the Legislature to take quick action to avoid court intervention that would be even more costly.

Snyder called for redirecting the \$1,100 per student being spent to service debt to give educators the resources they need in the classroom and also minimize impacts on the overall state budget, so other school districts don't see their classroom funding impacted.

"We need to address this decades-long problem now," Snyder said.

SNYDER ANNOUNCES COMMISSIONS FOR THE FUTURE

Looking to keep Michigan moving forward, Gov. Snyder announced he will create three 21st Century Commissions.

They are:

--Commission to Build a 21st Century Infrastructure to make recommendations on water and sewer infrastructure, energy and electrical grids, broadband modernization, and upgrading the aging Soo locks. The commission is to report back by September of this year.

--Commission to Build a 21st Century Education System to identify how to improve education governance, funding systems and career and college readiness in Michigan schools and report back by November of this year.

"We have a 19th century education system in the 21st century," Snyder said.

--Commission to Build a 21st Century Economy to report back by December of this year.

FIRST DPS BILLS ARE INTRODUCED

Long-awaited legislation (SBs 0710 and 0711) to resolve the Detroit Public Schools (DPS) financial problems have been introduced laying out a plan to separate the district into old and new as well as create a framework for an elected school board.

The chief sponsor and apparent lead on the bills is Senate K-12 Appropriations Subcommittee Chair Geoff Hansen (R-Hart). The bills are pending in the Senate Government Operations committee.

Specifically, the DPS district would separate into an "old" district to hold the debt until it is paid off and create a "new" Detroit Community Schools District. The measures would also create a newly elected board that would be on the November 2016 ballot and the members seated in January 2017.

In the meantime, an interim nine-member board would be appointed: four selections made by Mayor Mike Duggan and five chosen by Gov. Rick Snyder. The board would be responsible for hiring a superintendent for the district.

In addition, the legislation contains language that would include the bottom 5 percent of schools into the state reform district although they would not be taken out of the new community district.

These bills are the first of what is likely to be an eight-bill package addressing the DPS problem. Currently there is no funding source for paying back the DPS debt of over \$500 million.

In a joint statement, Democratic members of the Legislature said the bills leave major issues unresolved and that there would be no support from the minority caucuses as currently written.

LAWMAKERS HAVE MORE MONEY, BUT NOT A BLANK CHECK TO SPEND

Revenue estimates put forth at the Consensus Revenue Estimating Conference (CREC) last week, indicate there will be about \$575 million more money for the current Fiscal Year (FY) 2016-17 budget.

However, according to Budget Director John Roberts, "...a lot of it has been accounted for" in the manner of caseload adjustments, slight state employee pay raises, inflationary increases and revenue sharing payments.

He credited an uptick in the economy growing at about 3 to 4 percent, enough to cover new and ongoing spending pressures with additional “one-time” money for such things as roads and the Flint water problem.

State Treasurer Nick Khouri said the revenue estimates show General Fund dollars in the upcoming years heading upward and School Aid Fund dollars heading downward a bit, but still doing better than last year. He attributed the shift to higher income tax revenue but lower sales tax revenue.

The CREC numbers show \$384 million more going into the SAF for FY '16 than in FY '15 and \$354 million more in projected SAF revenue for FY '17.

CLARIFYING LANGUAGE FOR S.B. 571 IS INTRODUCED

Under legislation (HB 5219) introduced last week, local governments would be able to use taxpayer funds to distribute the official language of local ballot proposals, and officials could talk about proposals during meetings.

The measure, introduced by House Elections Committee Chair Lisa Posthumus Lyons (R-Alto), is meant to clarify a new law that bans local governments from using taxpayer dollars to spread any information about local proposals 60 days prior to an election.

That has touched off strong disapproval with opponents saying it unfairly restricts the ability of local governments to educate voters about key ballot proposals.

Senators Dale Zorn (R-Ida) and Andy Schor (D-Lansing) have introduced separate bills that would eliminate the language contained in Senate Bill 571 dealing with the 60-day communication ban.

POLITICS AND POLLS

Allen announces congressional bid. Former state Sen. Jason Allen has resigned his position as senior policy advisor at the Michigan Veterans Affairs Agency (MVAA) to seek the 1st Congressional District GOP nomination...a seat being left open by Rep. Dan Benishek (R-Crystal Falls), who is not seeking reelection. Sen. Tom Casperson (R-Escanaba) is the only other announced Republican candidate. Former Michigan Democratic Party Chair Lon Johnson is the perceived frontrunner on the Democratic side.

M M & A BRIEFS

State has a new fire marshal. Julie Secontine, Risk Manager for Oakland County, has been tapped by Gov. Rick Snyder as the state's new fire marshal. She was also named director of the Michigan Bureau of Fire Services by Michigan Department of Licensing and Regulatory Affairs Director Mike Zimmer.

CALENDAR OF IMPORTANT EVENTS

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| February 3 | Sen. Mike Kowall (R-White Lake) Evening Reception
Location: 5 p.m., The Exchange, Lansing |
| February 9 | Rep. Al Pscholka (R-Stevensville) “Paczckis with Pscholka”
Location: 7:30 a.m., MI Restaurant Assn., Lansing |
| February 15 | PRESIDENT’S DAY |
| February 25 | Rep. Mike Callton (R-Nashville) Breakfast Reception
Location: 7:30 a.m., MI Beer & Wine Wholesalers, Lansing |