

CAPITOL NEWS UPDATE

WEEK OF MARCH 14, 2022



McAlvey Merchant
& ASSOCIATES

UNEMPLOYMENT AGENCY CONTRACTORS HAD CRIMINAL RECORDS AND ACCESS TO DATA AFTER DEPARTURE

A new state audit released Friday found that the Unemployment Insurance Agency hired people previously convicted of fraud, embezzlement and other financial crimes during its push to increase hiring during the coronavirus pandemic. In addition, staffers who left the agency continued to have access to sensitive information for more than 30 days after leaving.

The hires were due to the agency's failure to conduct proper background checks and failure to prevent workers with a criminal history from reviewing sensitive tax and financial records. In addition, according to the audit, the agency failed to ensure it could hold staffing agencies liable for fraud committed by its workers.

The Office of Auditor General cited four material conditions, the most serious in an audit, and two reportable conditions in their report. Material conditions are the most serious type in an audit. The overall finding was that the agency mishandled new and departing employees during the pandemic.

The agency failed to ensure that background checks were conducted for more than 5,500 workers from staffing agencies and Michigan Works! Agencies. Also, of 169 workers sampled, 71 had one or more misdemeanor and/or felony convictions ranging from embezzlement and illegal sale or use of financial transaction devices, to identity theft and armed robbery. In addition, these 71 workers were still employed at the UIA at the time of the audit.

Other agency issues cited by the audit included flawed contracts, lack of training, and contractors and others having access to state equipment after they left their jobs.

According to the audit, 63 of the 136 departed workers sampled continued to have access to the Agency's database for more than 30 days post departure on average.

Workers having access to the data post-employment led to one worker pleading guilty to issuing \$3.8 million in improper payments after departing from the state but still having access to sensitive information. The worker had a "limited criminal history" and worked for a staffing agency that had a contract with the state that included a provision that could absolve the staffing agency of any fraud committed by its workers.

Auditors recommended better background check policies and clear language preventing someone with a specific criminal history from working in a role that required access to financial information.

The audit was the second investigation into the UIA's handling of an immense number of jobless claims during the pandemic. The first audit was released in Nov. 2021, finding the UIA did not implement the Federal Pandemic Unemployment Assistance program effectively, leading to the agency overpaying \$3.9 billion in federal money to people who were ineligible.

GAS TAX SUSPENSION BILL HEADS TO WHITMER'S DESK

Although Governor Gretchen Whitmer has voiced support for a suspension of the federal fuel tax, she is likely to veto a Republican-backed proposal to suspend Michigan's gas and diesel fuel tax headed to her desk after passage in the Senate earlier this week.

House Bill 5570, which would temporarily pause the state's 27.2 cents per gallon tax on gas from April 1, 2022, through Sept. 30, 2022, passed the Senate along party lines 24-14 on Tuesday, with two Democrats, Sen Sean McCann (D-Kalamazoo) and Sen. Dayna Polehanki (D-Livonia) voting for the measure. Technically, however, the bill would not go into effect until March 2023 because it did not get a two-thirds supermajority needed for immediate effect.

Whitmer supports suspending the federal fuel tax versus the state fuel tax because it would not have an impact on funding for road work.

According to The House Fiscal Agency, the estimated cost of the proposed gas tax suspension would be \$725 million, with the Senate Fiscal Agency estimating the cost to be \$750 million. If this money is not replaced through the General Fund, it would impact road projects statewide.

Senate Majority Leader Mike Shirkey (R-Clarklake) has also said he would support eliminating the sales tax on motor fuel as a next move, because of the surplus in the School Aid Fund. Senate Minority Leader Jim Ananich (D-Flint) also has said that he would prefer eliminating the sales tax on motor fuel to the Republican proposal to suspend the gas tax because it is more fiscally responsible and would allow the state to continue fixing roads.

"I think we can keep our schools, educating our children, we can make our roads improved and we can also give people relief," Ananich said.

The gas tax issue has surfaced following the recent increase in gas prices after the Russian invasion of Ukraine.

WENTWORTH PUTS A STOP TO ANY NO-FAULT CHANGES THIS TERM

A spokesperson for State House Speaker Jason Wentworth said on Wednesday that he will not support any significant auto insurance changes this term because he hasn't seen any proposals that both guarantee savings for drivers and protect "providers who are doing it right." Proponents of changing Michigan's auto reform law that was enacted in 2019 followed the announcement saying they were deeply disappointed.

Although there have been some proposals introduced, other Republican leaders have not taken any up and Gov. Whitmer has said she supports changes but has mostly focused on having the Michigan Catastrophic Claims Association provide a refund from its surplus to motorists in Michigan.

Some proponents of change are those who are injured and have said they are losing their providers as they move from in-home care to hospitals, with other providers saying they have had to stop treating auto accident patients, according to Gongwer.

Rep. Wentworth's spokesperson, Gideon D'Assandro, said, however, that Rep. Wentworth isn't interested in changing the fee schedule, but might be interested in a proposal that can improve the \$25 million fund created by the Legislature last year.

The fund was designed to provide financial assistance for facilities that experience a systemic deficit because of the fee schedule. It has not been used.

Advocates for those catastrophically injured in car crashes and the facilities that organize their care are proponents of changing the recent auto insurance changes, while others feel the law needs time to understand the long-term effects.

MM&A BRIEFS

WHITMER NAMES YATES TO COURT OF APPEALS

Gov. Gretchen Whitmer has now filled the final of four Court of Appeals vacancies which opened in the past year by appointing Kent Circuit Judge Christopher Yates to the 3rd District Court of Appeals. Yates will succeed Judge Jane Beckering who resigned to become a federal judge.

Mostly in West Michigan, the 17 counties of the 3rd District also include Jackson and Washtenaw.

GOVERNOR WITMER'S BID FOR REELECTION BECOMES OFFICIAL

Gov. Whitmer submitted 30,000 signatures yesterday to make her bid for a second four-year term as Governor official. At least 15,000 valid signatures are required by April 19 for candidates for governor to qualify for the ballot.

CALENDAR OF IMPORTANT EVENTS

- March 19 Rep. Sara Cambensy (D-Marquette) CTE**
Location: 5 p.m., The Landmark Inn Board Room, 230 N. Front St., Marquette
- March 21 Rep. Bryan Posthumus (R-Cannon Twp.) Evening Reception**
Location: 5:30 p.m., 5057 Grand River Dr., North East, Grand Rapids
- March 22 Rep. Thomas Albert (R-Lowell) for State Senate**
Location: Karoub Associates, 121 West Allegan St., Lansing

Rep. Mark Tisdell (R-Rochester Hills) Breakfast Reception

Location: 7:30 a.m., Michigan Restaurant and Lodging Association, 225 W. Washtenaw St., Lansing

Sen. Sylvia Santana (D-Detroit) for Michigan

Location: 8:30 a.m., Michigan Beer and Wine Wholesalers Association, 332 Townsend St., Lansing

Rep. Nate Shannon (D-Sterling Heights) St. Patrick's Luncheon

Location: 11:30 a.m., 332 Townsend St., Lansing

Rep. Christine Morse (D-Texas Twp.) Morse Force March Madness Luncheon

Location: 11:30 a.m., Karoub Associates, 121 West Allegan St., Lansing

5th U.S. House District Candidate Tim Walberg (R-Tipton) for Congress

Location: 12 p.m., Grant Consulting Group, 620 South Capitol Ave., Lansing

Rep. Sarah Anthony (D-Lansing) for State Senate

TBA, 4:30 p.m.

Michigan Senate Democratic Fund

Location: 4:30 p.m., Lansing Brewing Company, 518 East Shiawassee St., Lansing

Rep. John Roth (R-Interlochen) Spring into Action State Rep Reception

Location: 5 p.m., Capitol White House, 320 Ottawa St., Lansing

Rep. Matt Hall (R-Marshall) Fundraiser

Location: 5:30 p.m., MI Realtors, 720 North Washington Ave., Lansing

March 23

Sen. Ed McBroom (R-Vulcan) - CTE

Location: 8 a.m., Capitol White House, 322 West Ottawa, Lansing

Supporters of Rep. John Cherry (D-Flint)

Location: 8 a.m., County Roads Association, 101 S. Washington Sq., Lansing

Sen. Winnie Brinks (D-Grand Rapids) for Michigan

Location: 8:30 a.m., Karoub Associates, 121 West Allegan St., Lansing

Rep. Karen Whitsett (D-Detroit) Winter Breakfast Fundraiser

Location: 8:30 a.m., Michigan Beer and Wine Wholesalers Association, 332 Townsend St., Lansing

Rep. Matt Koleszar (D-Plymouth) Spring Reception

Location: 11:30 a.m., Michigan Beer and Wine Wholesalers Association, 332 Townsend St., Lansing

Rep. Jim Haadsma (D-Battle Creek) Spring Fundraiser

Location: 5 p.m., Karoub Associates, 121 W. Allegan St., Lansing.

March 24 Rep. Annette Glenn (R-Midland) Breakfast Reception

Location: 7:30 a.m., Karoub Associates, 121 West Allegan St., Lansing

Rep. Gary Howell (R-North Branch) Breakfast Reception

Location: 7:30 a.m., Michigan Beer and Wine Wholesalers Association, 332 Townsend St., Lansing

March 28 Rep. Pamela Hornberger (R-Chesterfield) for State Senate

Location: 6 p.m., Little Camille's by the Bay, 51083 Washington St., New Baltimore

March 30 Gov. Gretchen Whitmer for Governor

Location: 5:30 p.m., Address with RSVP.