

Legislative Status Report – June 2022

Consensus Revenue Estimating Conference – May 2022

- Additional \$1.7B for FY22 over January estimates
- Additional \$1.1B for FY23 over January estimates

Fiscal Year 23 Budget Status

- Targets for each budget have been set. Negotiations will commence.
- Anticipated completion - end of June
- 10% total increase to revenue sharing proposed (5% one-time, 5% ongoing) = \$255.1M
 - Senate: concurred w/ Exec
 - House: 1% ongoing/1% one-time
- \$578M in new federal funding for roads, bridges, airports, local and intercity transit and rail:
 - \$377.8M would fund road and bridge construction
 - \$283.4M for state roads and bridges
 - \$94.4M for local roads and bridges
- \$500M in water infrastructure improvements to support lead service line replacements, consolidation of failing septic systems and contamination risk reduction
- \$325M in one-time funds to design and construct new psychiatric hospital campus that would ultimately replace the state-operated beds at Hawthorn Center and the Walter P. Reuther State Hospital
- \$175M for judicial case management to create single statewide case management system that aligns with Trial Court Funding Commission's recommendations
- \$148.9M for Michigan Indigent Defense Commission grants to local funding units to comply with MIDC standards
- \$15M for the Jail Diversion Fund, which provides grants to local entities to establish and expand jail diversion programs
- \$5M for a prosecutorial diversion program affording eligible pretrial defendants an opportunity to obtain and maintain full-time employment with an eligible employer for a year
- \$4.2M for the County Veteran Service Fund

Pension Assistance Supplemental

- HB 5054 passed the House and now awaits Senate action; total of \$1.5B is broken into three categories:
 - \$900M for local unit municipal pension principal payment for those local pension programs funded **at or below 60%**; to qualify, local unit must agree to:
 - make in full all actuarially determined contributions; if less than, must remit within 12 months (if unit fails to comply, Michigan Treasury will intercept revenue sharing payments)
 - not provide contractual benefit enhancements unless they are 100% prefunded
 - the discount rate and assumed rate of return capped at current levels



- adopt the most recent mortality tables
 - Subject themselves to corrective action plan monitoring for 5 years after award
 - comply with uniform actuarial assumptions
- Grant awards capped at \$100M
- \$250M for pension best practices and debt reduction grant program for those local pension programs funded **above 60%**; to qualify, the local unit must agree to:
 - prefund retiree health care (if they offer it)
 - make all actuarially determined contributions; if less than, must remit within 12 months (if unit fails to comply, Michigan Treasury will intercept revenue sharing payments)
 - assumed rate of return and discount rate – capped at current levels; adopt the most recent mortality tables
 - comply with uniform actuarial assumptions
- Grant awards capped at 5% of funds available
- Grant awards can be used by local unit in the following priority order:
- Deposited in qualified retirement system – if funded ratio at least 100%, OR
 - Use to make principal payments on any outstanding debt obligations as of Dec. 31, 2021 (can create a debt sinking fund to prefund any debt repayments not eligible for early repayments) OR
 - Use for infrastructure investment
- \$350M for state police retirement system deposit

Broadband Funding

- NOFO for the BEAD (Broadband Equity Access and Deployment) Program issued mid-May – prohibits the exclusion of local governments for applying for the grant funds
- Included in the Water and Infrastructure Supplemental was \$5 million to fund the Michigan High Speed Internet Office (MIHI). This office is charged with mapping broadband availability and developing a plan for broadband infrastructure buildout by November 2022 in order to qualify for the BEAD money.
- BEAD estimates for Michigan - \$1.3 billion
- Competitive Middle-Mile Program totaling \$1B nationwide and \$550M in slated funds proposed in the FY23 federal budget for the USDA's ReConnect program
- MAC is also participating in a workgroup to establish the criteria for grant eligibility for counties

Secondary Road Patrol Revenue Stream

- HBs 5732, 5772-73 passed Senate Appropriations Committee, now awaiting vote of full Senate
- Directs \$15M to the Secondary Road Patrol and Training Fund from the liquor tax
- Includes in the statute an inflation adjustment every five years to the amount coming from the liquor tax to the Secondary Road Patrol and Training Fund
- Eliminates the \$10 Secondary Road Patrol fee on moving violations
- Resets the Maintenance of Effort (MOE) to the lesser of road patrol expenditures in 1978 or 2021
- MAC supports



Open Meetings Act (OMA)

- Multiple bills, but none allow for remote for any reason at this point, or if a quorum is physically present
- Coalition letter sent to chairs of Legislature's local government committees requesting issue be reviewed before committee
- Governor's Office not interested in more "carve-outs"; House interested in larger review of OMA and streamlining the act

Opioid Settlement

- \$26B settlement, with Michigan set to receive \$800M (over 18 years)
- 50/50 state-local split intrastate agreement, which is better than national "default" allocation for counties
- All counties have participation agreement in place
 - HB 5970, by Rep. Christine Morse, and SB 995, by Sen. Betty Jean Alexander, prohibit certain public bodies in Michigan from commencing certain legal actions related to the specific distributor and Janssen settlements; under the settlement, a state must have a legislative bar against later litigating subdivisions to receive the top incentive and received the full amount of eligible funds (MAC supports)
- First and second allocations of funds slated for 2nd and 3rd quarters, and annually after that (exception, those local jurisdictions that have amounts \$7,500 or less)
- <https://nationalopioidsettlement.com/>

Veterans Property Tax Legislation

- SBs 783-784 passed out of Finance Committee and tied to the Republican tax cut plan (see tax cut plan below)
- SB 784 sent to governor on June 7 but veto anticipated (Sen. Bumstead is ordering another bill for introduction so we can continue the discussion outside of the tax cut plan)
- Bills would maintain the current disabled veteran property tax exemption while also changing the statute to allow for reimbursement of those exemptions to the local taxing units through a refundable income tax exemption (preferred method of reimbursement)
- HBs 4624 and 4626 would reimburse localities for any lost revenue through a PILT payment, tying the hands of the DNR for future land purchases if not paid
 - SBs 540-541 and HBs 5008-5010 – 100% reimbursement for losses but takes the reimbursements out of our existing LCSA payments
 - HB 4914 – one and done filing until the property is no longer eligible
- Please use MAC advocacy tool at <https://micounties.org/advocacy-center/>

Personal Property Tax (PPT) Exemption

- SB 1060-62 introduced in the Senate and referred to Finance Committee
- In December, the Legislature and governor enacted economic development supplemental package including HB 5351, which grants another PPT tax exemption for property totaling \$80,001 to \$180,000, for an estimated hit to locals of \$75 million annually



- Legislature also included \$75 million in a work project to reimburse locals for the first year of the exemption, set to go into effect in 2023
- MAC helped develop the process established in SBs 1060-62 to allow for full reimbursement to local units for their losses associated with the new exemption
- MAC testified in support of bills June 8; vote out of committee and the full Senate expected before Legislature breaks for summer.

Binding Arbitration

- HBs 4639 and 4725 expand benefits of Public Act 312 beyond the police and fire labor bargaining units to corrections officers
- Still sitting on Senate floor – MAC wants it stopped there
- MAC has long opposed any expansion of binding arbitration to other bargaining units due to the cost of the process, the long-term liabilities associated with third party decisions and the unequal treatment such a system provides to those bargaining units
- The Michigan Public Employment Relations Act already provides for bargaining rights without tying the hands of the county in binding arbitration

Court Funding Reform, Sunset and Litigation

- Longstanding issue continues; 10/1/22 expiration to allow courts to assess cost to criminal defendants
- Trial Court Funding Commission report in 2019 (lost year due to COVID); Rep. Sarah Lightner champion and working to implement reforms
- Michigan Supreme Court agreed to hear arguments (*People v. Johnson*) on whether law “deprives criminal defendants of their right to appear before an impartial judge” ([Oral arguments 4/6/22](#))
- Lightner introduced HB 5956, which extends sunset until 2025, and HB 5957, which authorizes the State Court Administrative Office to create a formula for local courts’ operational needs and requires the state to fund the amount needed to replace revenue loss due to a court ruling.
- Expect legislative changes pending court decision; may have to be in the fall.

Mental Health Proposals

- Senate Majority Leader Mike Shirkey’s proposal (SBs 597-598) would shift Michigan’s system away from public oversight and shift responsibility for managing public services and supports to private health plans
- MAC opposes legislation as introduced as we have long held the position that the public mental health system should have adequate state funding and local control and oversight by our counties to ensure quality and accessible services for all residents
- MAC has provided list of concerns, positive work happening under current structure and issues that are not addressed under this bill (access and staffing)
- Bills have been tied to a mental health supplemental introduced by Shirkey (SB 714)
- House proposal (HBs 4925-29) would replace the state’s 10 Prepaid Inpatient Health Plans with a single nonprofit or administrative services organization
- MAC has outstanding questions on House plan, but had positive input and conversations with sponsor, Rep. Mary Whiteford
- MAC will continue to engage with both chambers and stakeholders



- Please use MAC advocacy tool at <https://micounties.org/advocacy-center/> to send message of opposition to SBs 597-598

FOIA Bills

- HBs 5921-25, scheduled for another hearing in the House Committee on Oversight chaired by Rep. Steve Johnson, seek to impose penalties on public bodies when mistakes are made, which will inevitably increase costs for compliance with the act and will remove anonymity of volunteer task force members when serving their communities
- MAC remains opposed to all but one of the bills in the package.
- HB 5921 limits the reason for FOIA request denial to only the ones(s) stated in the beginning; this amendment could have the unintended consequences of releasing protected records if someone didn't catch the right exemption the first time and could potentially force a local agency to violate other laws; substitute bill includes a \$500 penalty payable to the requestor should a public body deny a request for the wrong reason
- HB 5923 requires the public body to acknowledge that exempt records exist and provide a description of the record; these amendments will likely require public bodies to consult legal counsel in each record request denial; in addition, this change has the potential of exposing private information that the law was originally intended to protect
- HB 5924 requires that a record in the possession of outside legal counsel be considered in the possession of the public body; this amendment blurs the line over what is FOIA-able in an outside legal practice
- HB 5925 allows for civil actions regarding the determination of whether the record is considered primarily for the public benefit and therefore should not be subject to fees for compiling the record; again, these amendments would open the floodgates of litigation against public bodies, especially by the press who would claim public benefit for every request.
- MAC offered several amendments to the package, and testified on them in committee, but we remain opposed

Public Notices

- HB 6062, introduced by Rep. Kevin Coleman, would create the framework for allowing public bodies to post their own notices on their website
- More than 100 trailer bills will be necessary to implement the change
- Major considerations with HB 6062:
 - Requires locals to send notice to the newspaper but does not require the newspaper to publish if they choose not to; this way, they can be good stewards if they choose without requiring the locals to pay them to publish the notice.
 - Creates an annually updated mailing list for those citizens who want to have notices mailed to them
- MAC has long advocated for this approach and testified in support of this bill

Tax Cut Plan

- A Republican-led tax plan is on its way to the governor; HB 4568, by Rep. Matt Hall:
 - Cuts the State income tax rate from 4.25% to 4% in 2023
 - Increases deductions for seniors
 - Provides tax credits for dependent 19-yr-olds
 - Increases the Earned Income Tax Credit



- Not negotiated with the governor, who has her own plan
- Tie-barred SB 784, veteran property tax exemption reimbursement bill, to the tax cut plan
- The bill was presented to the governor on June 2, but MAC anticipates a veto

Revenue Sharing Trust Fund

- Bills to create a revenue sharing trust fund for statutory revenue sharing for counties, cities, villages and townships and fund it through a carve out of the State's sales tax revenue were introduced in the House
- HB 6133, by Rep. Jim Ellison, and HB 6134, by Rep. Mark Tisdell, are the culmination of years of negotiations to create a more reliable funding mechanism for revenue sharing
- The dollar amount allocated in those bills for counties is not what MAC had asked for, so we have ordered new bills and found Senate sponsors to reflect our ask for a base funding of \$350 million

Unfunded Mandates

- SB 449, by Sen. Ed McBroom, creates the Headlee Unfunded Mandates Prohibition Act by implementing the recommendations stemming from the Unfunded Mandates Commission
- The bill received a hearing and was voted out of the Senate Committee on Oversight and then re-referred to the Senate Committee on Appropriations
- MAC supported the bill but is skeptical that it will move forward