

To: CSR Board
From: Todd Tennis, Cara Dobie and Courtney VanCamp
Date: January 27, 2023
RE: Legislative Update

On Wednesday, January 11, the first Democratic “trifecta” opened the new session. Though legislative leadership was actually elected in November, 2022, after the elections, the opening votes of the 102nd legislature made official Michigan’s first woman elected to the post of Senate Majority Leader (Winnie Brinks, D - Grand Rapids), and Michigan’s first Black Speaker of the House (Representative Joe Tate, D - Detroit). The greater Lansing region is also experiencing a quite a spike in influence, as Governor Whitmer, the Senate Appropriations Chair (Senator Sarah Anthony, D - Lansing), the House Appropriations Chair (Representative Angela Witwer, D - Grand Ledge), and the Senate Majority Floor Leader (Senator Sam Singh, D - East Lansing) are all from the Lansing area.

Legislative committees are beginning to have organizational meetings and in some cases are reporting bills. The first weeks of session are generally spent orienting new members and staff to legislative procedures, Mason’s Rules of Order, and, almost literally, where the bathrooms are and the coffee is. However, this year, some of the higher priority items for Governor Whitmer and the House and Senate Democratic leaders have already begun to move through the process.

The Governor will give her State of the State address on the evening of January 25 which is (as of this writing) just a few hours away. See below for a preview of what we expect her to highlight in her speech.

Governor Focuses on Economy and Job Creation in 2023 State of the State Address

Governor Whitmer gave her State of the State address to the Michigan Legislature on Wednesday evening, and for the first time she was officially welcomed into the House chamber by a House Speaker from her own political party. As in previous years, she focused much of her speech on economic development initiatives, and of course she mentioned fixing roads and infrastructure. She also called for increased investments in education and worker training, as well as for increased protections for members of the LGBTQ+ community. Here are the priority programs she discussed in her speech:

- Elimination of the so-called “Retirement Tax;” a tax on pension income first levied nearly a decade ago;
- Implementation of the Working families Tax Credit, which is a proposed expansion of the Earned Income Tax Credit that would provide \$265 million in tax relief targeted at low-to-middle income families;
- Creation of a system for Universal Pre-K education in which every 4-year old in Michigan had access to fully funded preschool;

- Passage of the “Make It In Michigan Plan” which would designate a permanent funding source for economic development funds aimed at bringing new businesses to Michigan. The plan also calls on lowering the eligibility age for Michigan’s Reconnect Program for higher education from 25 to 21.
- Repeal of Michigan’s 1931 Law that bans abortion (made ineffective for most of the past 50 years by Roe v. Wade, and since last November with the passage of Proposal 3
- Addition of protections for LGBTQ+ persons to the Elliott-Larsen Civil Rights Act;
- Enhancement of investments into K-12 education including the MI Kids Back on Track program that helps fund before and after-school programming.
- Increase of funding for law enforcement and mental health services
- Passage of firearms safety laws including Universal Background Checks for potential gun owners and Safe Storage Laws for firearms.

Michigan Legislative Leaders Indicate Priorities with First Bill Introductions

The Majority party, at the start of each session, reserves their first few introduced bills to send a statement about their priorities, and it makes for both good PR *and* good policy to say to the public that those first introduced bills are reflective of the things that made the Majority a majority in the first place. This session, the first sets of bills introduced by the new Democratic Majority include:

- Phasing-out and ultimately repealing the Pension Tax;
- Increasing the refund allowed under the Earned Income Tax Credit
- Repealing the “1931 law” regarding abortion access made obsolete by the passage of proposal 2 in the November election;
- Expanding protections for sexual identity and orientation under the Elliott-Larsen Civil Rights Act
- Repealing the Right to Work law passed during the Snyder Administration; and
- Repealing the ban on Prevailing Wage laws passed for publicly funded construction.

Because the pension tax repeal has a particular impact on public employees, the breakdown on the initial bills are as follows:

SB 1 and HB 4001 are identically-drafted bills to repeal the Pension Tax. Each takes a phased approach:

- for the 2023 tax year, taxpayers between 64 - 78 can deduct 25%
- for the 2024 tax year, extending to taxpayers 61 and older can deduct 50%
- for the 2025 tax year, extending to taxpayers 58 and older can deduct 75%
- for the 2026 tax year, taxpayers may deduct 100% of their pension income

Of note: this “repeal” is in the form of a deduction, necessitating the individual taxpayer to elect to take it; and the bill includes a mechanism to reimburse the School Aid Fund for revenue lost to the deduction. Losing school money was always a complicating factor in past attempts to repeal the tax.

Republicans have introduced Pension Tax repeal bills of their own, notably HB 4008 (Rep. Andrew Beeler, R - Port Huron). Their bills take a different approach, basing a deduction on pension amount rather than age. Their bills do not hold the School Aid Fund harmless.

House and Senate Move to Implement Pay Increases for State Workers

Last year, the Civil Service Board approved a series of pay raises for state employees that, without any other action, will take effect on October 1, 2023. The delay stems from a state constitutional requirement that the Michigan Legislature be given notice of civil service pay increases before they can take effect. The notice requirement would make the raises effective at the beginning of the next fiscal year.

However, the constitution also gives the Legislature the ability to waive these notice requirements so that pay increases can take effect immediately. MAGE and other organizations representing state workers lobbied for the Legislature to pass these resolutions last year, but while they were introduced, they were not taken up for a vote. This year, House Concurrent Resolution 1, sponsored by Representative Julie Brixie (D-Okemos), and Senate Concurrent Resolution 5, sponsored by Senator Sarah Anthony (D-Lansing) are both moving quickly. The Senate adopted SCR 5 on January 19, and the House is preparing to adopt HCR 1 as soon as this week.

Should both chambers adopt the concurrent resolutions, classifications included in the Civil Service decision will see increases in their checks much sooner than they otherwise would.