

DISCUSSION POINTS
2013 STATE OF THE STATE
January 16, 2013

Key Points

- Gov. Rick Snyder's third State of the State address calls upon Michigan to seize the opportunities that will keep it on the path to prosperity and enhance our quality of life.
- Michigan's commitment to jobs, people and good government has made it the nation's comeback state.
- Many of the objective measures on Michigan's Dashboard show we're going in the right direction. For example:
 - Michigan's economy is at a 10-year high
 - Private payroll jobs have increased by 177,700 since August 2009
 - Michigan's per capita income growth rate is ninth best in the nation
 - Michigan saw a slight increase in population for the first time since 2004
 - Home sales increased 9.88 percent from last year
 - Tourism is strong with hotel/motel occupancy rates at their highest levels since 2004
- Michigan's greatest asset is its people, and investing in people was among the governor's top priorities in 2012. Successful initiatives include:
 - Pathways to Potential, a new model of service delivery for the Department of Human Services. It will expand from 21 schools to 135 by mid-February of this year.
 - The Summer Youth Employment initiative, administered by the Department of Natural Resources, served 764 teenagers in Flint, Saginaw, Detroit and Pontiac in partnership with 13 nongovernmental agencies. It is part of the governor's Secure Cities Partnership launched in 2011 to address public safety in a comprehensive manner that includes unemployment and other factors that impact crime.
 - The autism insurance reforms that were achieved with a bipartisan effort are giving affected children a greater chance to live independent lives.
- We're getting it right and getting it done. The governor is doing exactly what he promised to do to keep Michigan on the right track.
- But there's still work to do. We must address issues that have been ignored for too long. That's why the governor's State of the State offered several proposals to improve our economy, ease the burden on families and improve the quality of life across Michigan.

Governor's Proposals

- Implement a stable, long-term revenue source that adequately funds Michigan's road construction/maintenance needs.

Michigan is currently short about \$1.2 billion a year to fix our roads and we haven't invested in them since 1997. We can pay today or continue to delay, but that will cost us twice as much. We'll need \$12 billion over 10 years – and that's just in today's dollars. Continuing to delay lets the costs balloon to \$25 billion in 10 years. We can't saddle our kids with that bill.

We're proposing a simple and fair "user fee" based on three revenue sources: 1) a shift from the gas tax to a tax at the wholesale level; 2) an increase in vehicle registration fees for light cars and for trucks; and 3) an optional local or regional registration fee that will be permitted.

- ▶ Total will be about \$120 per car on average, but since it's a basic user fee, it will fluctuate based on the amount of use and the vehicle's value.
- ▶ The governor will work with lawmakers to determine the proper balance between the revenue sources to ensure that adequate revenue is generated.

Poor roads take a heavy toll on vehicles, causing an average of \$357 in repairs each year for family cars. Quality roads reduce damage to vehicles, make driving safer and help job creation by making Michigan more economically competitive.

- ▶ Average Michigan vehicle incurs \$81 more in road damage repairs a year than the average cost in our neighboring states of Ohio, Indiana, Illinois and Wisconsin. By making new annual road investments, the savings that families realize on car repairs will offset much of the user fees.

Most important, investing in better roads means saving nearly 100 lives a year, according to a March 2012 report from The Road Information Program.

We will insist that taxpayers get value for their money. Adhering to best practices at the state and local levels, as well as managing our infrastructure with a long-term vision, will maximize efficiencies and innovation.

- Reform the no-fault auto insurance system to lower the high rates that burden families. Unlimited benefits, and the lack of control over their costs, have made auto insurance beyond the financial reach of many residents. Michigan has the nation's highest no-fault average claim cost severity. In addition, the average claim cost in Michigan increased 81 percent from 2004 to 2012. Detroit, Novi and Muskegon are among the Top 10 most expensive cities in the nation for auto insurance. Reforming the system can ease the strain on motorists and make Michigan more competitive.
- Increase transparency in elections and encouraging voter participation. Snyder supports allowing no-reason absentee voting for people who apply for an AV ballot in person at a clerk's office and comply with existing photo ID requirements; permitting online voter registration in the same manner currently used for changes of address in the state's verification

system; and increasing the frequency of candidate reporting by requiring quarterly reports during non-election years.

- Create a Michigan Department of Insurance and Financial Services, which will emphasize consumer protection while helping to create a climate that allows the insurance and financial services industries to thrive. The industries are critical to Michigan, employing more than 150,000 residents and generating more than \$9 billion in annual payroll. The new agency will be responsible for consumer protection, outreach and education.
- Create an Insurance Fraud Prevention Authority. The authority will partner with state and local law enforcement and the insurance industry to provide education, training and enforcement programs to reduce incidents of insurance fraud. It will be funded through a \$2 per vehicle assessment on insurance companies.
- Encourage the Legislature to adopt the use of “fiscal notes.” This helps to ensure that government doesn’t spend beyond its means. It also provides lawmakers and the public with an easy-to-understand and transparent accounting of the fiscal impacts of proposed legislation.
- Support our veterans by creating an agency focused on helping them to identify and connect with services. With services to veterans currently spread across 15 state departments, the new agency will increase awareness of programs available to veterans. In addition, the Department of Licensing and Regulatory Affairs will review the state’s licensing requirements and provide a list of occupations for which veterans’ military skills are equal or superior to their civilian peers. After the review, the governor will work with lawmakers on legislation that expedites the process of getting veterans back to work, particularly as EMTs, mechanics and commercial truck drivers. These efforts will be bolstered by Michigan’s recent accreditation by the U.S. Department of Veterans Affairs. Achieving this accreditation allows applications prepared by the Michigan Department of Military and Veterans Affairs to be submitted to the U.S. Department of Veterans Affairs with higher efficiency, which will achieve faster results for Michigan veterans. Accreditation also elevates the state’s ability to work directly with the federal government to resolve broad policy issues affecting the delivery of services to veterans.
- Strengthen communities by ridding them of abandoned properties. Governor is calling for legislation to prevent property owners who do not pay their taxes, or let abandoned properties fester to the detriment of neighborhoods, from buying additional property.
- Combat the theft and resale of valuable metals. Thieves have become more aggressive in robbing properties of their metals. Snyder is asking the Legislature to give law enforcement the specific tools it needs to fight this problem, which impacts families, farmers, churches and businesses.
- Pursue a “next generation” 911 emergency system to better protect families and assist emergency responders. This updated technology will enhance the quality of information that is communicated and improve situational awareness of emergency responders before they arrive on scene.
- Establish Michigan as a leader in autonomous vehicle testing to attract jobs stemming from this emerging industry. Autonomous vehicles are capable of sensing their surroundings and navigating without human input. There are no federal

regulations regarding these vehicles. The governor is proposing that Michigan enact laws clearly stating that testing and operating this new technology here is legal. Such a move will send the signal that Michigan intends to be a leader in this field and help to attract autonomous vehicle companies to our state.

- Help students who need it the most by encouraging and expanding the success of the Education Achievement Authority. The governor will work with the Legislature to codify the EAA into law and pass legislation that enables student-centered learning across the state in our most challenged school districts. The EAA was established to overcome the lack of improvement in the state's lowest performing 5 percent of schools.
- Keep working cooperatively to reach a consensus on reforming Blue Cross Blue Shield of Michigan for the benefit of consumers. The state act that regulates Blue Cross is over 30 years old and ongoing changes in the marketplace make this an ideal time to modernize Michigan's system while creating a regulatory environment that encourages competition, market speed and innovation, efficiency and cost reduction.
- Increase funding for:
 - ▶ The successful Healthy Kids Dental program, which serves 440,000 Medicaid-enrolled children.
 - ▶ The Office of Great Start, which promotes early childhood education.
 - ▶ Demonstration projects to improve mental health services, particularly with regard to early intervention for children.

Governor's 2013 Policy 'Road Map'

- The governor offered a "road map" of his administration's policy focuses throughout the year:
 - In March, he will conduct an economic development summit to collaborate on the critical issue of connecting Michigan's talent to opportunities. Public- and private-sector partners from across the state also will develop strategies for regional service delivery and alignment.
 - In April, the governor's education summit will focus on making Michigan a national model for connecting supply and demand in the work force. It also will explore issues such as school safety and early detection of mental health issues.
 - Under a new law, the Department of Natural Resources must develop a land management plan that will bring benefits to regional economic prosperity initiatives. Results of the comprehensive plan are expected in May, and the governor looks forward to working on this issue with the Legislature.
 - As co-chair of the Council of Great Lakes Governors, Snyder will convene a summit of Great Lakes governors and premiers in June to plan for regional economic development and the protection of our natural resources and environment.
 - A series of reports regarding Michigan's energy policies are due in December, which will help the governor and lawmakers decide what the state's next steps should be regarding energy efficiency, renewable energy and the electricity market.

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