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$1.5B ECONOMIC DEVELOPMENT SUPPLEMENTAL SENT TO GOVERNOR

Lawmakers completed passage of a $1.484 billion supplemental appropriations bill Tuesday night containing $1 billion General Fund for the state to use to incentivize companies to choose Michigan for locating large economic development projects.

It was a dramatic conclusion to the Legislature's voting sessions for 2021. Aside from non-voting sessions slated for Wednesday and the sine die adjournment session for December 29, the Legislature has concluded all business until it reconvenes January 12.

Passing both chambers Tuesday night was SB 85, which also contains an additional $484 million gross ($75 million General Fund) which would provide for $409 million federal funding in aid for businesses impacted by the coronavirus pandemic and $75 million General Fund to fund raising the floor on the personal property tax exemption.

The Legislature during a long session day late into the evening completed a year-end push to create a new incentive package that supporters said would keep Michigan competitive for large projects and opportunities that otherwise might not be in the cards.

Ms. Whitmer called the incentives package critical to business attraction to the state.

"Thanks to the effective collaboration of legislative leadership in both parties, our state will be competitive for every dollar and every job for years to come," Ms. Whitmer said in a statement. "Our efforts today prove that when we put Michiganders first, we are capable of extraordinary progress."

Members of the Senate adopted the conference report for SB 85 by a 25-11 vote and the House followed suit by a 78-25 vote. Opposition from some conservatives and liberals opposed to government incentives for business was far outnumbered.

Bill sponsor Sen. Ken Horn (R-Frankenmuth) told reporters following the vote the legislation was a huge opportunity for the state to set itself on a path to renewed economic growth and competitiveness.

"We are on the precipice … of a new economy," Mr. Horn said. "We have some opportunities available to us, opportunities that could go to other states, other nations. … We need to do this on behalf of the residents of the state of Michigan."

o 517.482.5000 121 W Allegan St
f 517.482.9934 Lansing, MI 48933
karoub.com info@karoub.com

The proposals became a priority for the Legislature following the recent Ford announcement of two electric vehicle battery plants totaling $11 billion in Tennessee and Kentucky.

One of the first companies that might take advantage of the incentive program is General Motors. Reports emerged last Friday that the company may be closing in on a deal to place a 2.5 million square-foot battery cell manufacturing plant adjacent to its existing plant in Delta Township, which borders Lansing to the west. The deal, which is not done, could lead to a $2.5 billion project.

GM is also considering a major expansion at its existing plant in Orion Township in northern Oakland County, reports on Friday also indicated. The company previously announced battery plants in Ohio and Tennessee but officials have said it would announce two additional battery sites in the country.

When asked how many projects the incentives could help attract to Michigan, Mr. Horn said: "it's more than one, it's likely that we have four serious projects," adding that at least one other than the reported GM project also was one involving the automobile industry.

"These aren't the last deals that are going to come to us, they're going to be coming out of the woodwork," Mr. Horn predicted of the impact of the legislation passed Tuesday.

Sen. Jeff Irwin (D-Ann Arbor) spoke in opposition prior to the vote, questioning what he called rapid action to provide huge sums of state money in "corporate welfare" to large businesses while ignoring other priorities.

"I'm disappointed that we're here today trying to bribe companies to come to Michigan rather than investing in making Michigan the best state to be in," Mr. Irwin said.

Four House lawmakers – one Republican and three Democrats – later spoke to the positives and negatives of SB 85 prior to the 78-25 vote in that chamber. Rep. Timmy Beson (R-Bay City) and Rep. Angela Witwer (D-Delta Township) praised the bill, with the former calling the legislation "a win for all local businesses in all our communities."

Rep. Cynthia Johnson (D-Detroit) and Rep. Abraham Aiyash (D-Hamtramck), however, said the bill only stood to benefit corporations that they believed should be affluent enough to support their own relocation to Michigan.

"Let's be very clear: This is not an investment in the people of Michigan. This is simply a giveaway of taxpayer money to for-profit corporations, and there is no equity in return," Mr. Aiyash said, later adding that he was perplexed at how the Legislature was "able to move this (bill) so quickly and yet a $3.2 billion water infrastructure bill is still waiting to be appropriated."

With the Senate having adjourned for the day by the time the House voted on the bill, it will not be enrolled until Wednesday.

As passed, SB 85 contains $1.484 billion in gross spending. A total of $1 billion General Fund is the feature item in the bill in the form of a funding piece for a package of accompanying policy bills that began to be moved last week.

The bill also contains $409 million federal funding in aid for businesses impacted by the coronavirus pandemic and $75 million General Fund to fund raising the floor on the personal property tax exemption.

Under the policy package consisting of SB 769, SB 771 and HB 5603 that passed Tuesday, the Strategic Outreach and Attraction Reserve Fund would be created with parameters for the programs put in place. Funding under the bills would be for gap financing, closing deals or other economic assistance for job creation and capital projects.

Two $100 placeholders of restricted funds were also contained within SB 85 to allow for the transfer of the economic development incentive funding. The $1 billion would be appropriated to the Department of Labor and Economic Opportunity.

The remaining $484 million would go to the Department of Treasury.

For the $409 million in federal funds, Treasury would create and run an afflicted business relief program. Grants would be available to businesses that would qualify as being afflicted by the COVID-19 pandemic.

An "afflicted business" under the bill would be defined as a nongovernmental entity that is non-tax exempt. This would include entertainment venues, exercise facilities, food service establishments, recreational facilities, places of public amusement, cosmetology or barber service facilities, nursery dealers or growers, athletic trainers, body art facilities, hotels and bed and breakfasts.

Recreational facilities and places of public amusement under the bill would include amusement parks, arcades, bingo halls, bowling alleys, casinos, nightclubs, skating rinks, water parks and trampoline parks.

Grants would not be allowed to exceed the financial hardship of the afflicted business and would be capped at $5 million.

Financial hardship would be defined as a decline in total sales capped at the total of property taxes or 17 percent of lease costs plus 50 percent of unemployment insurance taxes plus liquor license fees plus food inspection fees plus state license or inspection fees.

The bill also outlines a formula for how grants would be provided to businesses that qualify.

Businesses in operation as of October 1, 2019, would be able to get a percentage of the maximum grant based on their 2020 reduction in gross receipts.

Those that could certify a 20 percent reduction in gross receipts would receive the maximum grant, while businesses that could certify between a 15 percent and 20 percent reduction would be able to get 75 percent of the maximum grant.

For businesses that could certify a between 10 percent and 15 percent reduction would be eligible for 50 percent of the maximum grant. Businesses able to certify between a 5 percent and 10 percent reduction would be eligible for 25 percent of the maximum grant amount.

Afflicted businesses that started business operations between October 1, 2019, and June 1, 2020, must receive 25 percent of the amount that it would have received if it had opened prior to October 1, 2019, if the business was able to document that it had been fully or partially closed because of a COVID order issued by the state.

Businesses in operation on October 1, 2019, would be required to certify and attest to having had gross losses of at least 5 percent for a calendar quarter in 2020 compared to the same calendar quarter in 2019. For businesses that were not in operations on October 1, 2019, but started before June 1, 2020, they must certify a negative impact by a full or partial closure because of an executive order or Department of Health and Human Services order. Supporting documentation would need to be provided to Treasury.

Treasury would be required to develop and post a website application for operation, awards and reporting for the program by March 1, 2022. Applications for the program must be submitted by April 1, 2022, and grants must be disbursed by July 1, 2022.

Bills to set up the fund and govern the incentive program also won final passage. The House passed SB 769 and SB 771 Tuesday by votes of 81-22 and the Senate later concurred in House substitutes by votes of 25-11. The Senate passed HB 5603 by a vote of 25-11 after adopting an S-1 substitute. The HB 5603 substitute clarified language related to bankruptcy as well as job retention. The House later concurred 81-22 in the substitute to HB 5603.

Another bill, HB 4082, was tie-barred to the Senate bills in the package that were passed. The Senate adopted an S-2 Senate substitute and passed the bill 26-10. The House later concurred in a 95-8 vote.

Under HB 4082, the State Administrative Board would be required to get approval from the appropriations committees in both legislative chambers to make a transfer of appropriations that changes the amount of money spent by 3 percent, or transfers of more than $200,000. The bill deals with transfers from the Strategic Outreach and Attraction Reserve Fund.

Prior to the vote on the Senate bills, Rep. Cynthia Johnson (D-Detroit) pleaded for her colleagues to vote against the package as she believed it was the equivalent of "corporate welfare." Taking the lectern after her was Rep. Jack O'Malley (R-Lake Ann) who urged a yes vote as the plan outlined within the bills was a "massive step forward" for the state as its economy and workforce emerged from a post-COVID world.

"This is a critical time for our economy, as well as our people," he said. "I believe competition sparks excellence. This plan puts us on that path."

Leaders and business groups quickly praised the Legislature in statements following Tuesday's votes.

Senate Majority Leader Mike Shirkey (R-Clarklake) said the personal property tax exemption will be an issue to further address over the next year by finding a permanent funding solution. He added the bill was an important step for the state.

"Not only does our economy need serious manufacturing investment to thrive, it needs a robust, vibrant and diverse business community," Mr. Shirkey said. "If a healthy economy is like a healthy garden, we need to water and nourish the entire garden and foster healthy competition. Our bipartisan work today does just that."

Kevin Johnson, CEO of the Detroit Economic Growth Corporation, called SB 85 "a down payment on Michigan's future."

"We are showing future investors that Michigan is serious about attracting new jobs for our state's people and ensuring our future is more prosperous than our past," Mr. Johnson said.

$842.6M SUPPLEMENTAL GOES TO GOV AFTER +12-HOUR DAY IN HOUSE, SENATE

A nearly $1 billion wide-ranging year-end supplemental appropriations bill that would fund COVID-19 testing, mental health services and much more passed the House late Tuesday, putting a cap on the end of the 2021 legislative year for the chamber.

HB 4398, which was adopted earlier that morning by a conference committee, passed the House 94-9 and the Senate 35-1.

Voting no in the House were all Republicans: Rep. Sue Allor of Wolverine, Rep. Ryan Berman of Commerce Township, Rep. Steve Carra of Three Rivers, Rep. Diana Farrington of Utica, Rep. Michele Hoitenga of Manton, Rep. Steve Johnson of Wayland, Rep. Matt Maddock of Milford, Rep. Luke Meerman of Coopersville and Rep. John Reilly of Oakland Township.

The lone no vote out of the Senate was from the Democratic side: Sen Jeff Irwin of Ann Arbor.

The year-end supplemental appropriations bill contained a total of $116.8 million ($1 million General Fund) in increased spending for the 2020-21 fiscal year to close the books on the year and $724.8 million ($70.2 million General Fund) in increased spending for the current 2021-22 fiscal year.

Among the funding contained in HB 4398 was $150 million from the federal American Rescue Plan Act for school safety programs, including screening and testing for COVID-19 as well as $140 million in additional federal ARPA funding for emergency rental assistance.

The bill also contains $168.9 million in federal ARPA for airport response grants and $47.1 million in federal funding for substance abuse prevention and treatment block grants.

A total of $36.3 million General Fund was also provided for emerging health threats, including lead contamination in water lines in Benton Harbor and other communities in the state. The bill also includes $22 million in "one-time grants," including $9 million for the North American International Auto Show and $5 million for converting a floor of the Helen DeVos Children's Hospital to a 12-bed pediatric psychiatric unit. These look a lot like the "enhancement grants" – member-chosen funding projects – but without the same name.

Another $100,000 is slated to be allocated to a mental health services organization in Oakland County, while $10 million is going toward a teacher talent pipeline. The latter funding will be used for a grant to an education-related non-profit organization that supports a teacher talent pipeline through teacher recruitment, training, development and retention.

There is also $150 million included in the bill, which was moved from another COVID-specific supplemental out of concern for expediency in allocating the funding. That money is earmarked

for the purpose of school safety programs for COVID-19 screening and testing activities to facilitate continued opening or reopening of schools, as well as the safe operations of schools.

Boilerplate language, however, explicitly prevents the Department of Health and Human Services – as well as other local government entities – from "retrieving supplies without consent of a school district" and "requires any redistribution of such supplies to be done by the association" – the association in question being the Michigan Association of Intermediate School Administrators.

This language is a direct response to a kerfuffle earlier this month where the DHHS, in conjunction with the National Guard, attempted to reallocate expiring COVID-19 tests from a school in Portland in Ionia County. A communication error led to the school itself not being aware of the tests being moved until the Guard showed up, causing administrators to panic over whether there would be sufficient tests available for students.

Prior to passage, Governor Gretchen Whitmer, Budget Director Chris Harkins, Sen. Jim Stamas (R-Midland) and Rep. Thomas Albert (R-Lowell) sent out a joint statement praising the historic level of funding devoted to the myriad topics housed within the bill.

"This work is not easy. As I've said before, we have a unique opportunity before us with all of the federal dollars at our disposal and I appreciate the fact that we have taken the time to have in-depth discussions about the best use of these dollars," Mr. Harkins said. "I am particularly pleased that we were able to get the federal funding into the bill to help schools with COVID testing, as well as additional funding for rental assistance for those in need of that assistance. All of these pieces play a role in Michigan's continued recovery from the pandemic, helping to position the state for future success."

Both Mr. Stamas and Mr. Albert – chairs of the Senate Appropriations Committee and House Appropriations Committee, respectively – emphasized that the supplemental was crafted in such a way that it allowed for investments into time-sensitive areas, such as with additional COVID funding to schools, but was fiscally prudent.

"We are coming together and doing what must be done for our state right now, while also building positive momentum for important initiatives moving forward," Mr. Albert said. "And we are doing so while being prudent about our finances. We must always be prepared in case economic turbulence arises in the future. I want to thank Sen. Stamas and Budget Director Harkins, and I look forward to continued collaboration."

Ms. Whitmer, too, lauded the collaboration between the House, Senate and her administration in order to "deliver critical aid to families, communities and small businesses as we continue building our economy back stronger than ever."

"Our progress is a testament to what's possible when we put work together, and this bill will build on progress we made earlier this year to enact the largest education investment in state history and pass a balanced, bipartisan budget that made game-changing investments in skills, bridges, childcare, and so much more," she said. "I will analyze the legislation with key members of my administration, and I look forward to signing the supplemental soon."

COVID SUPPLEMENTAL PASSES HOUSE: HB 5523, sponsored by Rep. Julie Calley (R-Portland), also passed the House in a 98-4 vote. Solely Republicans voted against the bill: Steve Johnson of

Wayland, Steve Carra of Three Rivers, John Reilly of Oakland Township and Matt Maddock of Milford.

The appropriations bill was sheared down some from its initial $1.2 billion amount due to funding dedicated to epidemiology and lab capacity school safety being halved from $300 million to $150 million. That remaining money, the other $150 million, was added into the year-end supplemental to expedite getting funds out the door.

Prior to its passage, Rep. Mary Whiteford (R-Casco Township) spoke briefly about a need for the funding while referencing her husband Kevin's battle with the novel virus. While he was able to fight the virus at first, he quickly found himself with a fever, a low blood-oxygen level and was actively worsening.

Ms. Whiteford said her husband was able to later get a monoclonal antibody infusion and seemed to allude that opportunity was possible due to help from Sen. John Bizon (R-Battle Creek), remarking that she owed "colleague from the 19th Senate district" who she credited with "saving my husband's life."

Mr. Bizon is a former ear, nose and throat doctor, and it was not immediately made clear how he was able to assist the Whiteford family in obtaining monoclonal antibodies.

"Our hospitals are overrun with sick patients and our health care workers are exhausted," Ms. Whiteford said. "People are losing loved ones. … It's time for all of us to come together and save the people of our state."

As the Senate could not take up the bill the same day the House passed it, and the fact the House has concluded voting sessions for the year, final passage of the supplemental is not expected until sometime in early 2022.

AUTO INSURANCE POLICY HOLDERS TO SEE REFUND CHECKS BY MAY 2022

The Department of Insurance and Financial Services expects the $400 auto insurance refunds slated to go out to drivers in the state to be issued by May 9, 2022.

Governor Gretchen Whitmer announced the news in a press release. The DIFS bulletin and website lay out the timeline and requirements for insurers as well as inform drivers to when and how they will get the refunds. The Governor and the Michigan Catastrophic Claims Association recently announced the refunds would be $400 per vehicle.

"Michigan used to have the highest auto insurance rates in the nation, but we worked together to put Michiganders first, significantly lowering the cost of insurance and putting $400 per vehicle back in driver's pockets while continuing to provide access to the most generous benefits in the nation," Ms. Whitmer said in a statement. "I am pleased with how quickly the plan was developed and appreciate the clear guidance provided both to insurers and consumers."

DIFS Director Anita Fox, who announced the May 9 deadline, said Ms. Whitmer directed the department to take an active role in ensuring the refunds be issues quickly.

"The DIFS bulletin ensures that consumers are protected and imposes a May 9, 2022, deadline for issuing refunds to all eligible drivers. Our goal is to make sure that this money makes it to the pockets of Michiganders as quickly and securely as possible," Ms. Fox said in a statement.

MINIMUM WAGE TO INCREASE IN JANUARY

The state's minimum wage rate will increase from $9.65 to $9.87 January 1, 2022.

State law prohibits scheduled increases when the annual average unemployment rate for the preceding calendar year is above 8.5 percent, but it is unlikely the state will exceed this threshold causing another delay as occurred in 2021.

In April 2020, the Department of Technology, Management and Budget reported the state's unemployment rate was 22.7 percent as businesses were closed due to restrictions in response to the pandemic. The state lifted lockdown measures in June 2021, and it is expected the annual average unemployment rate for 2021 to remain below 8.5 percent. The average unemployment rate in September was 5.5 percent.

Starting January 1, 2022:

- Michigan's minimum wage will increase to $9.87 an hour.
- The 85 percent rate for minors aged 16 and 17 increases to $8.39 an hour.
- Tipped employees rates of pay increases to $3.75 an hour.
- The training wage of $4.25 an hour for newly hired employees ages 16 to 19 for their first 90 days of employment remains unchanged.

NESBITT BILL WOULD LOWER PERSONAL, CORPORATE INCOME TAX RATES

Citing the coronavirus pandemic and the rise in inflation as a result of the federal response to the pandemic's economic fallout, a senator introduced legislation which would cut the state's income tax rates for individuals and corporations.

Introduced by Sen. Aric Nesbitt(R-Lawton) was SB 768, which would lower the personal and corporate income tax rates to 3.9 percent, effective tax years beginning January 1, 2022.

The current state personal income tax rate is 4.25 percent and for the state corporate income tax rate it is 6 percent.

Mr. Nesbitt's bill was referred to the Senate Finance Committee.

"The people of Michigan have weathered substantial economic hardship in the wake of the coronavirus pandemic and now face historic inflation and high energy costs; the time has come to support them with historic tax relief and position our state for an epic economic recovery," Mr. Nesbitt said in a statement.

Mr. Nesbitt's bill would also provide a $500 tax credit per child for families.

He pointed to the state's higher-than-expected revenue collections, which for the General Fund and School Aid Fund combined for the 2020-21 fiscal year to date are by more than $2.5 billion.

"Considering the Legislature's responsible budgeting and ongoing efforts to wisely invest federal dollars into the state's infrastructure and future, the time is right to make these tax cuts for Michigan residents and businesses," Mr. Nesbitt said.

As of this writing the legislation has not been scheduled for a hearing.

o 517.482.5000 121 W Allegan St
f 517.482.9934 Lansing, MI 48933
karoub.com info@karoub.com