



Legislative Week in Review

....House negotiators agreed Thursday on a **school finance reform** ballot proposal, but the Senate will probably reject it, putting the issue into conference. The House plan would increase the sales tax from 4 percent to 6 percent, raising \$1.7 billion, \$500 million for schools and \$1.2 million in property tax cuts. Beginning in 1990, 45 percent of school operating taxes on new business property would go to the school aid fund for statewide distribution.

....The Blanchard administration and state Senate Republicans have joined battle over the Governor's proposal to give small-to-medium-sized businesses the option of paying a simple **tax on profits** or the **single business tax**, the modified value-added levy they now pay. Republicans on the Senate Finance Committee outvoted Democrats 3-2 to report SB 878, which would cost the state \$30 million to \$50 million in revenue by taxing at 4 percent the profits of businesses with gross receipts of less than \$7 million and income of under \$550,000 and exempting salaries of less than \$110,000. The Governor prefers HB 5669, introduced this week by Rep. Debbie Stabenow (D-Lansing), which is not expected to cost the state any revenue and would tax all salaries and profits together for businesses with less than \$6 million in gross receipts.

....Rep. Thomas Mathieu (D-Grand Rapids) has introduced new legislation to create a **prescription drug subsidy for senior citizens**, replacing the version vetoed Monday by Governor Blanchard because the legislature did not specify how the estimated \$60 million annual cost of the program would be met. Mathieu's new bill (HB 5659) would create a less costly program--about \$20 million a year--deriving its funds from new taxes on cigars, snuff, and chewing tobacco and eliminating property tax exemptions for owners of railroad property.

Political News

....**Speaker Gary M. Owen** (D-Ypsilanti Township) announced Thursday that he will not seek a ninth term in the House of Representatives. Observers predict that his Democratic colleagues will select Majority Floor Leader Lewis Dodak (D-Birch Run) to succeed Owen as Speaker. Rep. H. Lynn Jondahl is also a candidate for the post--second only to the governorship in political power--that Owen has held for nearly six years. Owen apparently filed for reelection last week to frighten off potential opponents of his aide, Kirk Profit, who will run for Owen's 22nd District seat. Other candidates may include Ypsilanti Township Supervisor Ron Allen, Ypsilanti Mayor Peter Murdock, and David Rutledge, assistant director of the House Democratic research staff.

....Governor Blanchard has ordered that a **special election** to finish the term of former state Rep. Virgil Smith, Jr. (who won the 2nd District Senate seat in a special election in March) will take place November 8, the same day as the general election for the seat. The Governor's order will allow the person who wins both the special and general elections to take office immediately and, thus, have more than a month's seniority over other incoming freshmen representatives in January.

....A tenuous House-Senate political deal to win passage of separate legislation to ban **surrogate parenting contracts**, create new judgeships, and require state education institutions to divest investments in South Africa has collapsed in uproar. Under the deal, Rep. Perry Bullard's divestiture bills were to be reported out of the Senate Judiciary Committee when Bullard's House Judiciary Committee reported Sen. Connie Binsfeld's surrogate parenting legislation. The judgeship bills would then be considered on the House floor. His House committee, however, went against Bullard, voting 10-3 to table Binsfeld's bill, and the House passed bills creating 15 judgeships. Sen. Rudy Nichols then ordered the divestiture bills off his Judiciary Committee's agenda.