

New Lay Establishes Caps on Payday Lending

Legislation (HB 4834) that, for the first time, caps payday lending fees in Michigan has been signed into law by Governor Jennifer Granholm.

Under the new law, payday lending fees are capped at 15 percent for loans of \$100 or less, 14 percent for the second \$100, 13 percent for the third \$100, 12 percent for the fourth \$100, and 11 percent for the fifth and sixth \$100.

Opposition to the legislation was raised by smaller, independent payday lending operators who feared the fee schedule was not sufficient to net them enough money to make business worthwhile. The new regulations take effect June 1, 2006.

In 2004, Granholm vetoed a payday-lending bill because she deemed the interest rates allowed under that legislation were too high.

Car Safety Device Stalled continued

Governor Jennifer Granholm, as well as Department of Labor and Economic Growth Director David Hollister, Congressman David Camp (R-Midland) and Secretary of State Terri Lynn Land have all visited Nartron and viewed first-hand how the device works.

The window sensor operates by creating a space-charge field in the window opening that detects a person's presence, the window reverses and is not allowed to close.

Following her visit, Granholm stated, "This kind of high end manufacturing is exactly an area we can pursue, a kind of laser/radar technology that we were looking at before, is the kind of technology that we need to foster and create."

Nartron founder Norman Rautiola predicts that during the next three to five years 80 percent of the company will be based on the sensor family of products and that the company will experience ten-fold growth, pushing it to the \$400 million plus mark.

Rautiola contends the Big Three automakers could pay for the safety feature from the savings in legal costs involved in lawsuits filed against them.

Kids and Cars, a child safety advocate organization, says three percent of all non-traffic,

non-crash deaths involving children under 15-years of age occur by power window strangulation. The advocate group says power windows can exert an upward force of 30-80 pounds, which is more than necessary in most cases to raise a window. It takes just 22 pounds of force to suffocate or injure a child.

The National Highway Traffic Safety Administration (NHTSA) estimates 500 people, half of them children, are treated in hospital emergency rooms each year for injuries associated with automotive power closures. And according to Nartron, a Harris poll found that 86 percent of parents want American automakers to install safer power windows. The poll also showed that 75 percent of all respondents and 78 percent of parents are willing to pay slightly more for cars with safer power windows.

The federal legislation was introduced in the Senate by Senator Hillary Clinton and in the House by Representative Peter T. King. Representative Camp is a cosponsor of the House bill. The measures are pending in the Senate Committee on Commerce, Science and Transportation and the House Subcommittee on Commerce, Trade and Consumer Protection.

Legislator Dies, Granholm Faces a Decision

The 56th House District seat became vacant recently with the unexpected death of first-term Representative Herb Kehrl (D-Monroe) who lost a short-term battle with liver cancer. On January 1st, the 29th House District seat will become vacant when Representative Clarence Phillips (D-Pontiac) resigns to become Mayor of Pontiac. In the Senate, Virg Bernero (D-Lansing) will be leaving on January 1st to become Mayor of Lansing.

Barring a lightning strike, the Democrats would hold onto the Phillips and Bernero seats in either a special election or wait until the 2006 primary/general elections. In the Monroe area, however, Republicans would have a better chance of picking up the 56th House seat in a special election than in the general election.

With the Kehrl and Phillips seats vacant in the House, the Republicans would hold a 58-50 majority with 55 votes needed for passage of a bill. In the Senate, with Bernero leaving, the GOP spread would be 22-15. Nineteen votes would still be needed for passage of legislation.



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Panel Probes Northville Sale

The House Government Operations Committee Subcommittee is looking into whether the State's awarding of the former Northville Psychiatric Hospital property to REIS was properly handled.

REIS was awarded the sale through the Department of Management and Budget's (DMB) competitive bid process, however, there are questions over possible irregularities. When DMB auctioned off the property, there were two bidders but one was thrown out because of a technicality. The other bid, \$25 million from REIS, was under the \$33 million minimum bid. In the end, REIS agreed to pay \$31.5 million for the land – paying \$25 million up front and the remaining \$6.5 million over the next four years with an interest free loan from the State on a promissory note.

Grand Sakwa, the other competing bidder for the hospital, is alleging several violations involving the sale to REIS, among them that the land was sold for less than its worth in a private deal as opposed to an auction, and that the land contract violates the Michigan Constitution. A lawsuit is pending.

Meanwhile, Representative Shelly Taub (R-Bloomfield Hills) has introduced resolutions the subcommittee subpoena power (HR 166) and urging the DMB to rebid the sale (HR 167).

"I'm very concerned," Taub said. "I think we need to get to the bottom of this. There are just too many loose ends." Taub said the State is maintaining the facility at a cost of \$2 million when the buildings are going to be torn down anyway.

Subcommittee Chair Jack Hoogendyk (R-Kalamazoo) said he plans to have the subcommittee meet after the New Year to review a thick stack of documents related to the sale that DMB just recently provided to the subcommittee.

Update

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Car Safety Device Stalled

Production of a vehicle safety device, a Michigan-based company says would save lives and significantly reduce child injuries, is stalled because Congress has yet to take action on legislation (S. 1948 and H.R. 2230) that would direct the U.S. Secretary of Transportation to issue regulations to "ensure that power windows and panels [on all passenger motor vehicles] automatically reverse direction when they detect an obstruction to prevent children from being trapped, injured, or killed."

Nartron Corporation, a 38-year old Michigan high technology company located in Reed City, has such a new life-saving device. Called the Invisible Shield, Nartron's obstacle detection product detects a person's neck or hand presence in a closing window, sliding door, moon roof or convertible top and reverses the operation without ever touching the person.

Nartron's Engineering Vice President John Washelski calls Invisible Shield "an absolute solution" to saving lives and preventing injuries. "The Japanese like this elegant technology and have moved forward to install it on their vehicles with volume production scheduled for September 2007," Washelski said. It is expected a Japanese company will release production of the window safety device to its facilities in the United States in 2008.



Not only would Invisible Shield save lives and reduce injuries, production of the device would result in the creation on many new jobs in Michigan.

Continued on page 4...

21st Century Jobs Fund Becomes Law

After some debate between the Granholm Administration and Republican legislative leadership, each accusing the other of reneging on an announced agreement combining the \$1 billion 21st Century Jobs Fund with a \$1 billion over four years business tax cut, Governor Jennifer Granholm signed into law the jobs fund portion of the economic package, but vetoed the business tax cut portion.

The issue developed over whether or not a repeal of the scheduled 2009 sunset of the Single Business Tax (SBT) was included in the agreement. As of now, the sunset remains on the books.

The new fund, designed to diversify and jump start the State's lagging economy, allocates \$400 million for investments with \$113.5 million set aside for the following special programs:

- \$26 million for the Michigan Forest Finance Authority to help the forest industry
- \$20 million for business development and marketing expenses
- \$16 million for administrative costs of economic development diversification programs
- \$15 million for the Michigan Promotion Program to fund additional tourism advertising
- \$10 million to assist Michigan companies in getting U.S. Defense and Homeland Security contracts
- \$10 million for agricultural development with \$5 million in grants and loans for specialty crops
- \$6 million for Automation Alley in southeast Michigan's technology corridor
- \$3.5 million for the Capital Access Program to increase the availability of credit to small businesses
- \$3 million for the VanAndel Research Institute in Grand Rapids
- \$2 million for the Michigan Film Initiative to promote filming of movies in the state
- \$2 million to remove cutting-edge technologies from universities to the private sector

The new 21st Century Jobs Fund is being financed from the sale of \$400 million of the State's future tobacco settlement money and \$75 million annually from the settlement as the money comes in to raise the \$1 billion.

That money is expected to leverage another \$1 billion bringing the economic investment package to \$2 billion.

James Epolito, CEO of the Michigan Economic Development Corporation (MEDC) is cautioning not to expect jobs to pop up overnight. Epolito says it may be three or four years before Michigan sees significant job growth from the economic investment package. However, the first grants and loans are expected to be awarded around the end of June next year.

More Road Money, More Orange Barrels

You may be thinking snow and slippery roads, but the Michigan Department of Transportation (MDOT) is already thinking more road repairs. That means more orange barrels on Michigan roadways next summer.

MDOT will spend \$1.7 billion on road and bridge repair in 2006 and another \$1.5 billion in 2007 compared to the \$1.3 billion spent this year, according to MDOT Director Gloria Jeff.

Based on the Department's 2006-2010 five-year plan, over the next five years MDOT will invest \$8.9 billion in Michigan's infrastructure with about \$3.8 billion of the money going to the State's trunk-line program.

The State will also accelerate an additional \$618 million for 158 smaller road and bridge projects as part of the Governor's Jobs Today Initiative.

This will result in the creation of some 110,000 jobs over the next five years, according to Jeff.

The programs do not come without a cost, however. MDOT will be requesting approval from the Michigan Transportation Commission to bond for an additional \$600 million in Grant Anticipation Revenue Vehicles (GARVEE) notes to cover the \$418 million. The Jobs Today Initiative plus Safe, Accountable, Flexible, Efficient Transportation Equity Act: a Legacy for Users (SAFETEA-LU) earmarks nearly \$200 million for MDOT highway projects. The plan also calls for issuing \$260 million new bonds next year to help fund Preserve First and reinstate some projects that had been earlier withdrawn.



Voting in Detroit

Wayne County sheriff's deputies watched the Michigan State Police. State Police troopers guarded the Michigan Secretary of State's Office in Lansing where all of the City of Detroit's November election ballots were housed in a locked vault. And the FBI is looking into the City Clerk's office in the absentee voting process – a process that might involve violations of federal law.

All of this was the result of two separate Wayne Circuit Court orders and a request for a recount by Freman Hendrix. Hendrix, a deputy mayor in former Detroit Mayor Dennis Archer's administration, lost to incumbent Mayor Kwame Kilpatrick by nearly 15,000 votes even though all but one of the exit polls declared Hendrix the winner shortly after voting was completed on election night. Hendrix's attorney, Elizabeth Hardy, says Hendrix suspects fraud but declined to detail the suspicions.

In addition to Hendrix, City Council candidate Jai-Lee Dearing, who came in 10th in the nine council field, school board candidate Mary Faust Hammons and City Clerk Jackie Currie also requested recounts.

It has been reported that Detroit elections officials lost track of ballots in nine precincts and did not count them until two days after the election. In addition, the Detroit Board of Canvassers reported 88 precincts and 10 absentee ballot precincts did not balance – i.e. the number of ballots cast do not match the number of voters who signed the poll books or the votes recorded on election machines.

Currie, who has been the highest vote getter in Detroit during her three terms lost to political newcomer Janice Winfrey by 13,500 votes.

Happy Holidays!

The Fraser Consulting office in Lansing will be closed on Friday, December 22nd and Monday, January 2nd, in observance of the Christmas and New Year's holidays. Our entire staff wishes you and your family a happy and safe holiday season.



Winter Heating Costs Going Up

The Michigan Public Service Commission (MPSC) has given its blessing to Consumers Energy, Michigan Consolidate Gas Company, SEMCO Energy Gas Company and Aquila Networks – MGU to charge new gas cost recovery (GCR) factors on their monthly natural gas customer billings through March 2006.

As a result, the average residential customer will see an increase during the winter heating months of up to 47 percent compared to last year as a result of a spike in natural gas prices and damages sustained from Hurricanes Katrina and Rita.

The Commission's action drew heat from Attorney General Mike Cox who had urged the MPSC to recover the increased costs over a 17-month period beginning in April after the expensive winter heating season.

Cox said the Commission's decision would force ratepayers to shoulder the full cost over four months instead of spreading the pain over a longer period of time.

Brownfield Informational Workshops Set

Information on Michigan's financial assistance and economic incentives associated with the redevelopment of Brownfield Properties in Michigan will be provided at a series of six workshops to be held in January throughout the state.

Jointly hosted by the Department of Environmental Quality (DEQ) and the Michigan Economic Development Corporation (MEDC), the workshops will be held January 10th in Marquette, January 12th in Gaylord, January 18th in Clinton Township, January 19th in Romulus, January 26th in Kalamazoo, and January 31st in Lansing.

The workshops, targeted for local government's, economic development staff, environmental consultants, developers, and attorneys, have a registration fee of \$25. Register online at www.michigan.gov/deqworkshops (click on "Upcoming Workshops").