



MBA Advocacy Report

Michigan Bankers Association • 517-485-3600

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Governor's Race Getting Underway

"It's the economy, stupid." James Carville, Democrat Advisor to Bill Clinton

The governor's race on May 25, 2006 is tightening up and neither candidate is polling at above 50% of likely voters. Just two years ago, our current Governor was mentioned as the first "Canadian born" presidential candidate. Two years ago, Dick DeVos, an Amway executive, was a former member of the State School Board with a passion for inner city kids in poor schools. It is doubtful many people in the state even knew who he was.

Michigan voters are in the midst of a one-state recession. Auto-making giants are cannibalizing their corporate body parts to survive another day. Home starts are down. There are 9 homes on the real estate market for each buyer. The sad economic news continues to remind us that we are out of step with the robust national economy. That, of course, is the story behind this election. "It's the economy, stupid."

Granholt's polling numbers slide as she continues to use "free" earned media events in an effort to save her well-stocked campaign funds war chest. The governor seriously outspent her opponent Dick Posthumous in the last election, but that will probably not happen in this election. No one is saying that polls do not matter anymore. There has been a consistent pattern by numerous polling agencies demonstrating an erosion of the quantity of support for Governor Granholt and a widening base for DeVos.

But what about the quality of this support? Is the expression "a mile wide and inch deep" reflective of DeVos' favorable impressions? On the other hand, can a woman so loved by Michigan voters just a few short months ago fail to bounce back when she packages her message in paid political advertising?

In a few days, the governor will begin her paid media campaign. This will be financed either from "527 funds" (trade union dues or west coast media mogul corporate cash) or direct expenditures of the "Committee to Re-elect Granholt for Governor." The Stabenow campaign for US Senate used union soft money ads to bash Spencer Abraham and thereby saved her campaign dollars for less aggressive messaging. Look for advertising that starts in a similar vein: positive messages from the Granholt campaign and attacks from the "527" groups.

Prediction: next move...DeVos to Q B 2.

John Llewellyn, MBA VP Advocacy

MBA Policy Committee Report:

Sinking Funds Legislation Being Considered – Tweaking Proposal A ??

On March 24, 2005, Representatives Vander Veen, Wenke, Ball, Huizenga, Taub and Stakoe introduced House Bill 4575 and referred it to the Committee on Education. The proposed legislation provides that if approved by the school electors of the school district, the board of a school district may levy a tax of not to exceed 5 mills on the state equalized valuation taxable value of the real and personal property of the school district each year for a period of not to exceed 20 years, for the purpose of creating a sinking fund to be used for the purchase of real estate for sites for, and the construction or repair of, school buildings or for any purpose for which a school district may borrow money and issue bonds.

On February 16, 2006, Representatives Casperson, Whitmer, Jones, Vander Veen, LaJoy, Anderson, Miller, Booher, Polidori, Zelenko, Emmons, Pastor, Green, Proos, Stakoe, Nitz, Hansen, Stewart, Huizenga and Pearce introduced House Bill 5709, which was referred to the Committee on Education. House Bill 5709 seeks to amend the revised school code and would permit a school district that creates a sinking fund and levies a sinking fund tax to use the sinking fund for the purchase of school buses or the acquisition, installation, or equipping or reequipping of school buildings for technology.

On Wednesday, May 24, 2006, the State House Education Committee held a hearing on the bills. The Michigan Chamber of Commerce testified in opposition to the bills, citing an independent study conducted by the Anderson Economic Group, which concludes that the bills will create a \$540 million dollar tax burden for Michigan citizens and businesses. This can be broken down to \$340 million for homeowners and \$200 million for businesses. They also oppose the legislation on the grounds that it allows school districts to expand the scope of items that can be paid through a voter-approved sinking fund. Lastly, the Michigan Chamber of Commerce believes that the Bills are contrary to Proposal A, which shifted school funding away from property taxes.

Tom Casperson (R-Escanaba) and Barb Vander Veen (R-Allendale) claim that increasing the scope of sinking funds will help school districts pay for increasing transportation costs and new technology mandates that are being required as a result of increased high school curriculum standards.

Hearings on this issue will continue next week.

MiBankPAC Update

MiBankPAC receipts now total \$229,235. This is still well short of our \$300,000 but on much a better pace than reported last month. If you have not yet sent in your contribution, please consider the importance of this campaign and participate. MiBankPAC is used only to financially support bipartisan "friends of banking." MiBankPAC does not junket, bribe or conduct any illegal activities.

Capital Access Program is Active

Reminder: The Capital Access Program (CAP) is up and running. For more information, contact the MEDC's Steve Haakenson at 517-241-4522, haakensons@michigan.org, or the MBA's Todd Willoughby at 517-342-9059, twilloughby@mibankers.com. You may also visit the CAP page on our [website](#).

Interest Bearing Accounts Now Allowed for Seized Funds

Two public acts, PA 128 and 129, were recently passed that allow local police agencies to deposit cash seized as part of alleged criminal activities into interest bearing accounts. These acts are effective immediately.

OFIS Revokes Loan Giant Lending License

Reprinted from Gongwer Report, Monday, May 22

World Wide Financial Services Incorporated, which was known to consumers as Loan Giant, has seen its license to make loans in the state revoked. The Office of Financial and Insurance Services said Monday the license was revoked effectively as of March 31 and that the company was being slapped with fines for a variety of violations of state lending laws.

The company, which filed for Chapter 11 bankruptcy protection last fall, has agreed not to contest the fines. World Wide filed for bankruptcy after it was sued a year ago by one of its major creditors, GE Commercial Finance Business Property Corporation. Before the bankruptcy court, the company has claimed assets of no more than \$10 million but with debts of between \$10 million and \$50 million.

As part of a consent order, the company admitted to engaging in improper lending practices, including providing false data on loan applications, false payment data, false debt obligation data, false employment data, transmitting improper payoff information, failing to maintain proper record of loan applications, failure to properly notify borrowers of loan denials, failure to maintain sufficient escrow funds and failure to provide annual statements of borrower accounts for loans it serviced.

If you are interested in past issues of the Advocacy Report – click [here](#).

FOR MORE INFORMATION, or if you have any questions about any items mentioned in this report, please contact [John Llewellyn](#) at (517) 342-9058.