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Making the big bets

House speaker Andy Dillon sees rising health costs, a broken budget and Michigan at a crossroads

By Amy Lane

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LANSING — House Speaker Andy Dillon likes to think big.

He's looking at ways to set up a statewide catastrophic health care fund to help businesses control their health care costs, and he's eyeing a utility tax, potentially coupled with repeal of Michigan's electric-choice law.

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Beyond that, there's elimination of Michigan's \$1.8 billion personal-property tax — a measure he said he's shooting for as part of a comprehensive budget deal.

And that's just a short list for the 45-year-old Redford Township Democrat, who said he supports the vision that "Michigan's at a crossroads, and either we're just going to keep cutting back and stepping backward, or we're going to make some big bets on our future.

"I'm for making the big bets," Dillon said.

As the Democratic leader in the Legislature, Dillon is a key voice for his caucus and for Gov. Jennifer Granholm. But those who know him say he also is an independent thinker, driven more by policy than politics, with an affinity for business and creativity.

"I think he really understands business. And I think in many cases, politicians don't understand business," said longtime acquaintance and business associate John Hatherly, president and managing partner of **Wynnchurch Capital**, a Chicago-based private-equity firm for which Dillon worked prior to coming to the Legislature.

"Andy is one of those guys who has a unique ability to bring people with different points of view together. He doesn't have one of those political agendas. He's trying to do what's right.

"I think he's someone who's going to make a change in Michigan."

A **University of Notre Dame** graduate who's practiced law in Arizona and Michigan, Dillon worked in the mid-1990s with large businesses as a vice president in **General Electric Capital Corp.**'s commercial finance division. One of the people he called on was Michael Wilkinson, who purchased **McLouth Steel Products Corp.** out of bankruptcy court and asked Dillon to come help run the new **DSC Ltd.** as president from 1998 to 2001.

From there, Dillon went to work as a managing director for Wynnchurch Capital, a firm formed by former GE Capital associates. His track record included bringing the firm two investment opportunities: Dowagiac-based **ICG Castings Inc.**, an aluminum die-casting company that Wynnchurch purchased out of Chapter 11 bankruptcy in 2003, and Auburn Hills-based **Android Industries L.L.C.**, an automotive supplier in which Wynnchurch purchased a majority equity stake in 2004.

Dillon came to the state House in 2004 in a special election to fill a vacancy and retained his seat in the general election. In 2005, he was an architect of a key piece of the state's **21st Century Jobs Fund**, approaching then-House Commerce Committee Chair Bill Huizenga, R-Zeeland, with the idea of capitalizing the fund by selling a portion of the revenue stream Michigan receives from a national settlement with tobacco companies, a process called securitization.

"He came in with a couple of articles and said, "Look, this is what other states are doing, couldn't we do something like this and make it bigger?" " Huizenga said.

"It was pretty intense, because you've got to remember what was going on surrounding us ... the governor proposed a \$2 billion bond, the Senate came back with a \$1 billion bond ... we came back and looked at each other and said, "We think we can do better than that," " Huizenga said.

A product of negotiation between lawmakers and Gov. Jennifer Granholm, who first proposed the 21st Century Jobs Fund in her 2005 State of the State address, the fund is Michigan's central effort to invest in emerging sectors and business growth and diversify the economy.

Dillon said the fund "could be a very powerful tool for the state, and a great first step." However, he'd like more private-sector involvement in the fund, both financially and in the review process that determines what projects will go before a state board for funding awards.

While the Jobs Fund was a mark of Dillon's first term, working to resolve the state's budget crisis and business-tax structure will be an early mark of his second.

House Democrats plan this week to announce details of their plans to put Michigan on firm financial footing for fiscal 2007, in which the budget deficit is approaching \$1 billion, and fiscal 2008, where pressures include the expiration of Michigan's \$1.9 billion single-business tax.

Dillon said he would like to pass Democrats' budget framework through the House by the end of April. Details of the budget plan last week were few; Democrats said the budget plan would focus on cuts and reforms, the latter including reforms to state and local government and education.

But last week, Dillon's idea of a utility tax that might generate around \$500 million, coupled with repeal of a 2000 Michigan law that lets customers choose alternate electricity suppliers, drew early fire.

Michigan Attorney General Mike Cox blasted the proposal and said he would "not allow Michigan's ratepayers to have bigger utility bills and higher energy costs as a result of the state's inability to balance its budget." Senate Majority Leader Mike Bishop, R-Rochester, said that while he is "not torpedoing" the utility tax idea, he is concerned it could be a "veiled tax increase."

And Dave Waymire, spokesman for the **Customer Choice Coalition**, a group encompassing large- and small-business groups, consumer interests and alternative-electricity suppliers, said electric choice was part of a compromise between utilities and customers, and the 2000 laws included separate financial benefits for the utilities.

Waymire said, "choice and competition are the only way to ensure that we have the lowest possible electric rates going forward."

Dillon said the utility tax could mean significant state revenue, while changing Michigan's regulatory structure could help provide Michigan electric utilities with certainty they need to build new power plants.

"There are a lot of reasons why this can be a very attractive solution," Dillon said.

Both **CMS Energy Corp.** and **DTE Energy Co.** are considering new plants but have said that to do so, they need changes in Michigan's regulatory structure and repeal of Michigan's electric-choice system.

Chuck Hadden, vice president of government affairs with the **Michigan Manufacturers Association**, said Dillon's mix of utility taxation, ending customer choice and eliminating the personal-property tax is "a really big idea with a lot of moving pieces, and some of that scares me. But at the same time, it's such a big idea, with so many things we've been trying to get done, like personal-property tax, that it's worth a good hard look."

Dillon last week floated ideas that included electric-choice repeal, requiring utilities to competitively bid new plants, a 6 percent gross-receipts tax and business-tax credits for industrial customers, according to sources familiar with the proposal.

The latest budget ideas join measures announced in March by House Democratic leaders: At least \$3 million in planned cuts to the House budget, including changes in health care coverage. Dillon and other Democrats proposed ending lifetime health care coverage for future House lawmakers, a change that would require legislation. In addition, current House lawmakers would pay more for health care coverage; the Democrats' plan would increase co-pays for House members, staff and other legislative workers.

Bill Rustem, president and CEO of nonpartisan think tank **Public Sector Consultants Inc.**, called the move a "stroke of leadership" that opens the door for discussion of bigger reforms.

The state Senate last month also took steps to cut lawmakers' costs, passing a \$4 million reduction in the Legislature's budget. That measure has gone to the House.

Not every action this year has generated praise for Dillon. Business groups and Republicans fought a recent House-passed bill that broadens the ability for motorists injured in car accidents to sue for noneconomic damages, and earlier this year, furor erupted over product-liability changes that were the first measures to be taken up and passed by the new, Democratic-controlled House.

The House-passed bills would end 1995 provisions that give drug manufacturers and sellers immunity in product-liability lawsuits if the drug was approved by the **U.S. Food and Drug Administration**. Those supporting the bills said they would help Michigan residents harmed by drugs and give them a recourse to hold drug companies accountable, but others said the bills would hurt Michigan's business climate and the types of industries Michigan is trying to promote.

Huizenga said both the product-liability bills and auto-insurance measure "send the wrong message when Michigan is as underwater as it is." But Dillon said the drug-liability issue was one upon which Democrats had campaigned in the 2006 election, and its passage "was promises made, promises kept."

Even though Dillon's new term is just beginning, talk has circulated about future ambitions and a potential run for governor. But Dillon, who has a wife and children ages 11, 12, 13 and 14, said he's not yet interested in taking on more than the challenges and rigors of his current job.

"I've had fun, but I have a young family, and it consumes your life. If I can get the policy done that I believe in, I'll be happy to go back to my old life," he said.

Andy Dillon

Job: Michigan House Speaker, D-Redford Township.

Family: Wife Carol and four children, ages 11-14.

Career: Vice president in **General Electric Capital Corp.**'s finance division; president of **DSC Ltd.**; managing director at Chicago-based private-equity firm **Wynnchurch Capital**; practiced law in Arizona and Michigan; elected to state House in 2004.

Education: Accounting and law degrees from the **University of Notre Dame**.



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