



This Week in Lansing

MHSA • Muchmore Harrington Smalley & Associates, LLC

Highlights of the Latest Major Legislative, Administrative and Regulatory Activity in the State Capitol

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MUNICIPAL/TEACHER RETIREMENT PLANS SAFE – FOR NOW – Legislation seeking to alter retiree health care plans of municipal employees and pensions of education employees has been tabled for this session year as of Tuesday of this week. Both *House* and *Senate* members decided to halt any decision making on the two large, and highly contentious, packages of bills until the new year, something public safety officials and teachers support.

Last week, *Senate* members passed the package transferring new teachers to a *401(k)* style pension plan out of the *Senate Appropriations Committee*, but decided not to take *Senate Bills 102, 1178* and *1179* up on the *Senate Floor*, instead declaring the issue done for the year. *Governor Rick Snyder* has voiced opposition to the proposal, as it ends the current hybrid pension plan for teachers and would force anyone hired after June 30, 2017 into the defined contribution plan (4 percent of salary would come from the district and a match of up to an additional 3 percent would be available).

According to lead sponsor of the bills *Senator Phil Pavlov* (R-St. Clair) expressed disappointment but noted more work will be done, saying, “We need to continue working on this because the problem is only getting bigger. We’ll continue to work the numbers and solve the problem.” However, the *Michigan Education Association (MEA)* voiced its support of the decision to delay the discussion. With 2017 set to see many new faces in the *Legislature*, *Mr. Pavlov* noted that it will be important to get new members up to speed as well as continue discussions with *Governor Snyder* come the new session year.

With *Senate* members ending the current debate on teacher pension reform, *House* members followed closely behind as they announced earlier this week that municipal retiree healthcare reform was dead for this session year as well. Following a large-scale protest of public safety officers on Tuesday of this week, members of the *House Local Government Committee* voted only one bill (of the 13-bill package) out of committee, making the decision to postpone action on the remaining 12 until next session year.

The lone bill, *House Bill 6075*, as sponsored by *Representative Dan Lauwers* (R-Brockway), calls for municipalities with retiree health care plans that are less than 60 percent funded to post an action plan to fix the issue online as well as to submit to more unfunded liability reporting requirements. The bill passed Thursday without opposition. The other bills making up the package that will not see action this term would have called for local governments with retirement health care systems funded less than 80 percent to begin requiring retirees to pay at least 20 percent of those health care costs while those with more than 80 percent funded would not have been affected. The legislation also would require those local governments to no longer provide retirement health care benefits to new employees, instead only paying 2 percent (maximum)

of the employee's base salary into a health savings account.

Both current *House Speaker Kevin Cotter* (R-Mt. Pleasant) and *House Speaker-Elect Tom Leonard* (R-Dewitt Twp.) agreed that more time and discussion was needed for legislators, the municipalities, unions and municipal employees to come to a successful and appropriate decision, with *Mr. Leonard* noting he looks forward to continuing those discussions throughout the 2017-2018 legislative session.

TAX INCENTIVE BILLS DIE IN HOUSE – A package of bills allowing certain businesses to keep income tax withholdings on incomes paid to new employees will not be moving forward in this year's *Lame Duck* session as the *House Local Government Committee* decided against voting on the legislation earlier this week. *Senate Bills 1153, 1154 and 1155*, as sponsored by *Senator Jim Stamas* (R-Midland), would also allow the state to approve up to 15 new such agreements with businesses where, in exchange for the tax incentive, those businesses would have to have created 500 new jobs in the state (or 250 if the business was paying 125 percent of the average wage in the county where it was located). *Chair* of the committee *Representative Lee Chatfield* (R-Levering) addressed members and attendees after testimony was given on the package, saying that there are still too many questions to be answered to move the bills forward. *Business Leaders for Michigan* along with the *Michigan Economic Development Corporation* and the *Michigan Department of Talent and Economic Development* expressed support for the bills and believes they will help Michigan in the competition for high paying jobs, business opportunities and job growth.

Another package of economic development bills, known as the “*brownfield bills*” have also been stalled by *Mr. Chatfield* until next year, with the representative stating a closer look at the state's tax system is needed before making changes to *tax increment financing (TIF)* zones and brownfield development. *Senate Bills 1061, 1062, 1063, 1064 and 1065* would allow the *Michigan Strategic Fund* to approve \$50 million in tax captures for transformational brownfield plans. After a substitute version was adopted, the legislation would also expand property tax captures and would capture sales tax on construction materials, income tax on construction labor and income tax on jobs within the transformational development.

UBER/LYFT REGULATIONS HEADED TO GOVERNOR FOR SIGNATURE – Final approval was issued for legislation that sets up a reformed regulatory framework for *transportation network companies (TNCs)* like *Uber* and *Lyft*, including placing taxicabs and some limousines under the same regulations. *House Bills 4637, 4639, 4640 and 4641* joined by *Senate Bill 392* were passed by the lower chamber on Wednesday of this week after having been passed last week by the *Senate*. The legislation also recognizes the smartphone based companies legally and therefore places the responsibilities of driver background checks, vehicle safety and insurance compliance into those companies' hands. Annual fees based on the number of cars in the fleet for each company will be imposed as well under the bills if signed into law, ranging from \$550 to \$30,000 per year. Local ordinances, with the exception of Lansing and East Lansing for four years, would be nullified but any airport ordinances set forth would be required to be followed in regards to transportation to and from their terminals. Any and all drivers of the taxicabs, limousines and *Uber/Lyft* vehicles must also obtain a chauffeur's license in order to operate under the new law.

ENERGY REFORM – TO SEE ACTION OR REMAIN STAGNANT? – Disagreement among *House Republicans* is causing *House Speaker Kevin Cotter* (R-Mt. Pleasant) to question whether energy reform legislation will be passed this session, or if it will be taken up in the new year (when his term as *House Speaker* and *Representative* is over due to term limits). Speaking with media representatives on Tuesday of this week, *Mr. Cotter* noted that though the package (*Senate Bills 437 and 438*) is currently on

the *House* floor, he is unsure if members could reach an agreement in the remaining few days of this *Lame Duck* session. *Mr. Cotter* himself expressed concerns with the proposed 15 percent mandate on renewable energy, though he admitted that provision could get *House Democrats* on board as it did within the *Senate*. In order for the package to be passed, 55 votes must be put forth in support, but where and who they come from, does not seem to matter from the majority caucus. Meetings on the subject have caused discrepancy among caucus members, especially in regards to the renewable fuel mix mandate and language dealing with net metering, along with the aforementioned energy choice issue. *Mr. Cotter* said he is willing to compromise and work with *House Democrats* to get a solution accomplished, hopefully while he is still in office.

SENATE PASSES SPEED LIMIT INCREASES – *Senate* members approved the increase of speed limits on freeways and rural highways on Wednesday of this week to 75 mph and 65 mph respectively, sending the bills to *Governor Rick Snyder* for signature. The increases, under the legislation, would only be allowed following a study (conducted by the *Michigan Department of State Police* and funded by the *Michigan Department of Transportation*) in which it was determined 85 percent of drivers on that stretch of road averaged travel speeds of the proposed change. The bills also call for reduced speed limits in hospital zones by 10 mph, increased speeds on gravel roads (55 mph except for those in *Oakland* and *Wayne Counties* which have been set to 45 mph) and reduced penalty from 2 points to 1 point on a driver's license if ticketed for driving between 1 and 5 mph over the speed limit. *House Bills 4423, 4424, 4425, 4426, 4427* saw votes of 28-8, 27-10, 27-10, 35-2 and 34-3 respectively.

REPORT: STATE NEEDS EXTRA \$4 BILLION FOR INFRASTRUCTURE RELIEF – In a report issued on Monday of this week by *Governor Rick Snyder's 21st Century Infrastructure Commission*, members found that the state is in need of an additional \$4 billion per year in spending over the next 20 years if the “investment gap” within Michigan is to be closed. The current “investment gap” is estimated to be more than \$60 billion, according to the report, mostly due to issues with roads, water and sewer lines and energy entities. Other areas like bridges and communications also play a large role, with the *Commission* offering opinions as to how to resolve the combined \$4 billion in repairs or preparation for future use of the state's infrastructure. Within the suggestions of funding for the payoff, the *Commission* combines the possible use of federal, local and state funds including: mileage based user fees, a gas tax increase, a registration fee increase, public-private investments/partnerships, and a possible dedicated sales tax for all types of infrastructure. The report listed over 100 recommendations for the sections of infrastructure needing to be addressed, including the creation of a pilot program to identify the gaps using existing data in order to test and implement a statewide asset management database system. Another recommendation then calls for the creation of the *Michigan Infrastructure Council* in 2018 (following the pilot program) by the *Legislature* to develop a long-term integrated infrastructure strategy for Michigan based on the pilot program's efforts. The 188-page report also called for a revised version of *Public Act 51*, the state's current road funding formula. The report can be reviewed via the following link: <http://www.miinfrastructurecommission.com/21st-century-infrastructure-commission-report>

LIQUOR BILLS SEE ACTION – Two major pieces of legislation dealing with issues of distribution and selling of alcohol saw action by the *House* on Thursday of this week, one leaving committee and the other passing through the full lower chamber. *Senate Bill 1088*, as reported by the *House Commerce and Trade Committee* Thursday morning, calls for the allowance of wine and hard liquor to be shipped or mailed directly to customers via *UPS* or the *U.S. Postal Service*. Supporters of the bill claimed during testimony that by passing the bill, the state will see less illegal action in regards to alcohol being shipped from out of state as well as an increase in tax revenue if businesses are now allowed to ship within the state.

With *Senate Bill 1088* heading to the *House* floor for a vote, *Senate Bill 929* was passed by *House* members on a 69-37 vote this week. The bill, as sponsored by *Senate Majority Leader Arlan Meekhof* (R-

West Olive), calls for the allowance of gas stations to sell alcohol and outlines the regulations which those businesses must follow. Under current law, a business must have \$250,000 in non-alcohol related inventory to sell beer and wine. **SB 929** makes several changes to that threshold and the types of eligible businesses for businesses selling gas. The *Senate* must concur in the changes next week.

ODDS & ENDS – On Friday of last week, *U.S. District Court Judge David Lawson* denied the state’s request for a stay on the delivery of bottled water to *Flint* residents...**House Bills 6047** and **6048** were passed out of the *House Oversight and Ethics Committee* on Thursday of last week, which if passed by the *Legislature* would allow for bonding to pay for major infrastructure upgrades to the *Capitol Building* and *Capitol Complex*...**President-Elect Donald Trump** is expected to be in *Grand Rapids* today, continuing his “victory tour”...research conducted and released by the *Kaiser Family Foundation* showed more than 275,000 Michigan residents will receive an annual total of \$769.1 million in tax credits to pay for their health insurance under the *Federal Patient Protection and Affordable Care Act*...according to **Agustin Arbulu**, director of the *Michigan Department of Civil Rights*, the number of reported hate or bias-related crimes since the November election is more than six times the amount usually reported in one whole year...**House Bill 4142** was passed by the *House* on Tuesday of this week in a 69-37 vote, with the bill calling for changes on how the state assesses “misloads” of cargo on truck axles via a simple and set fine instead of a weight based formula...the date for **Governor Rick Snyder’s** seventh and final *State of the State* address has been tentatively discussed as January 17, 2017, with an official announcement expected in the coming weeks...**MiStore**, the *Department of Technology, Management and Budget’s* surplus store, will be open for the public on Saturday, December 10 for a special one-day sale of items seized by the police, donated to the state or left unclaimed at public properties...according to a poll conducted and released by the group **U.S. Term Limits**, 68 percent of Michigan respondents support the establishment of congressional term limits, though no action on the issue will be taken this legislative session...the *Michigan Fraternal Order of Police (MFOP)* announced **Senator Wayne Schmidt** (R-Traverse City) as the group’s legislator of the year on Tuesday of this week...**U.S. District Court Judge Mark Goldsmith** issued an order on Wednesday of this week dissolving his own restraining order that kept the currently proposed presidential recount alive, meaning the recount within Michigan will not occur...legislation setting strict voter ID regulations passed the *House* on Wednesday of this week, with the main issue calling for voters to present photo identification in order to vote...those within the state that have been wrongly convicted and imprisoned would become eligible to receive \$50,000 for each year of false incarceration under legislation passed by the *House* on Wednesday of this week, a first for the state...low-income families will see \$76 per month restored in food assistance via the **Heat and Eat** program as passed via a two-year supplemental appropriations bill by the *Legislature* and sent to **Governor Rick Snyder** for signature this week...the *House* passed legislation this week calling for increased penalties for mass picketing and demonstrations outside of businesses via **House Bill 4643**...former senator **Virgil Smith** was released early (as a result of receiving “good time” credit as required in state statute) from **Wayne County** jail on Sunday of last week after having been sentenced to 10 months in jail due to an altercation with his ex-wife last spring that resulted in criminal charges for **Mr. Smith**...**Governor Rick Snyder** decided on Thursday of this week to hold off on issuing his proposal for the **School Aid Fund** to assist in paying personal income tax refunds until the **99th Legislative** session begins in January...as of this week Thursday, \$170 million in federal monies will be allocated to *Flint* to assist in recovery from the **Flint Water Crisis** as approved by the *U.S. House of Representatives*...**House Speaker-Elect Tom Leonard** (R-DeWitt Twp.) announced the appointment of **Representative Tim Kelly** (R-Saginaw Twp.) as chair for the **House Republican Policy Development Committee** for the **99th Legislative** session.

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