



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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ENERGY PACKAGE PASSES SENATE – *Senate* members passed the heavily discussed energy package after two years of work on Thursday of this week, sending the bills to the *House* for consideration and hopefully passage. Primary sponsors of the package, *Senators Mike Nofs* (R-Battle Creek) and *John Proos* (R-Saint Joseph) were able to gather sufficient votes for *Senate Bills 437* and *438* dealing with energy reform for the state, making this the first time in years energy policy has substantively been debated. The last time major changes to the law were enacted was 2008. With new legislators coming into office in January, the *Senators* are hopeful the *House* will show support and send the package to *Governor Rick Snyder* for signage before year's end.

The bills were presented to and passed by *Senators* in the form of an *S-7* substitute addressing changes throughout the substitutes including a renewable energy provision increasing the current 10 percent by 2015 to 15 percent by the end of 2021 and excluding certain current net metering customers from a grid charge established in the bills. Perhaps the two largest issues addressed in the package however were electric choice and renewable energy.

The bills remain controversial among industry officials, with some claiming the passage is a setback and others a step forward. Those in support of the bills include *DTE Energy* and *Consumers Energy*, while those in opposition include *Energy Choice Now* and *Michigan Freedom Fund*. The bills passed the *Senate* on votes of 26-11 (*SB 437*) and 26-10 (*SB 438*).

HOUSE LEADERSHIP POSITIONS SET – As announced on Thursday of this week, *Representative Tom Leonard* (R-Dewitt) was voted to be the *Speaker of the House* for the 2017-2018 legislative session. *Mr. Leonard* is set to replace *Representative Kevin Cotter* (R-Mt. Pleasant) as *Mr. Cotter* could not be reelected due to term limits. *Mr. Leonard* was elected by *House Republican Caucus* members and commented on the nomination and election, saying “House Republicans have truly raised the bar on state government and raised expectations for all of us. I look forward to meeting that challenge and building on the success Michigan has already enjoyed. We have produced a measurable track record of results at my time at the Capitol, and now our challenge is to exceed them and lift this state even higher in the 99th legislature.”

Other *House* leadership roles announced Thursday along with *Mr. Leonard* include: *Representative Dan Lauwers* (R-Brockway Twp.) *House Majority Floor Leader*; *Representative Lee Chatfield* (R-Levering), *Speaker Pro-Tempore*; *Representative Rob VerHeulen* (R-Walker) *House Majority Caucus Whip*; *Representative Eric Leutheuser* (R-Hillsdale) *House Majority Caucus Chair*.

While *House Republicans* set their leadership roles in place, *House Democrats* saw a bit more of a

challenge in doing so after current **House Minority Leader Tim Greimel** (D-Auburn Hills) announced he wished to no longer hold the position early Wednesday morning of this week. Following Tuesday's election, the **Democrats** within the **State House** flipped one seat for their party, but lost one, putting **Democrats** back into the position of the minority for the 2017-2018 legislative session. Following **Mr. Greimel's** announcement, **House Democrats** announced late Thursday afternoon that **Representative Sam Singh** (D-East Lansing) will take the position of **House Minority Leader** for the upcoming new session year. **Representative Christine Greig** (D-Farmington Hills) was elected **House Minority Floor Leader**.

AUTONOMOUS VEHICLES BILLS TO BE SIGNED – Legislation allowing autonomous vehicles to operate on Michigan roads was sent to **Governor Rick Snyder** for signature on Thursday of this week, with the **House** quickly passing the package without discussion. **Senate Bills 995, 996, 997** and **998** were then unanimously concurred in by **Senate** members and sent to **Mr. Snyder** for consideration and signing. The bills, as passed, set forth regulations for the driverless vehicles and companies producing them within the state, including: testing and operation framework; the requirement of compliance with federal motor vehicle safety standards; the requirement of said self-driving vehicles having been driven for at least 1 million miles with a test driver; and the requirement to obtain insurance, a surety bond, or proof of self-insurance worth at least \$10 million.

BEER/WINE/LIQUOR BILLS DISCUSSED IN HOUSE COMMITTEE – Via a 12-1 vote with two passes on Wednesday of this week, legislation allowing more gas stations to sell beer and wine moved out of the **House Regulatory Reform Committee**, sending it to the **House** floor without issue. Sponsored by **Senate Majority Leader Arlan Meekhof** (R-West Olive), **Senate Bill 929** creates a 1-per-1,000-residents cap on the number of places that can sell beer and wine, while also allowing gas stations to exceed that cap within the first 60 days of its enactment to equal out the competition between new and existing locations with the license.

Those in opposition to the bill claim that it allows alcohol-selling licenses to be issued too liberally, creating a “free-for-all” among small businesses. However, supporters note that the bill is a result of a compromise with gas stations that have been left out of this market for years, and will satisfy the needs of both party stores and gas stations. Industry experts note that only roughly 10 percent of all municipalities in the state are going to hit the aforementioned quota, meaning around 200 communities will be impacted by the 60-day window.

With **SB 929** headed to the floor for discussion and a vote, **Senate Bill 448** saw no action in the same committee on Wednesday of this week. The bill, sponsored by **Senator John Proos** (R-St. Joseph), would cause liquor distillers to see approximately \$35 million in cuts in state taxes if enacted. The savings would be achieved, according to **Mr. Proos**, by cutting the roughly 65 percent markup on the first 60,000 proof gallons of liquor spirits by the **Michigan Liquor Control Commission** to 20 percent. **Mr. Proos** noted that the state's liquor and spirits industry is growing along with the microbrew and wine industries, but is seeing more barriers in its regulatory process, including (arguably) the nation's highest excise tax. **Chair** of the **Michigan Liquor Control Commission, Andy Deloney**, opined to committee members that the state may not be in the position to forfeit those revenues paid by all spirit manufacturers. The bill remains in the committee, for now.

While their **House** counterparts discussed the aforementioned issues, **Senate Regulatory Reform Committee** members reported **Senate Bill 973** from committee. Sponsored by **Senator Dave Hildenbrand** (R-Lowell), the bill calls for the expansion of the types of organizations or persons that would be allowed to fill and sell growlers of beer for off-premises consumption to include a person holding a specially designated distributor license.

Members also posted unanimous approval of substitute *S-1*, which includes the following conditions for the law: compliance with requirements for food service establishments under state law; the growler must be sealed and a label must be affixed to include brand name, class of beer, net contents of the container and name of retailer filling the growler; and the requirement of any beer dispensed must receive a registration number from the *Liquor Control Commission* after having been approved for sale.

SPEED LIMIT CHANGES REPORTED FROM SENATE COMMITTEE – As of Thursday this week, *Senate Transportation Committee* members have reported *House Bills 4423, 4424, 4425, 4426* and *4427* from committee, all of which deal with the issue of speed limit reforms within the state, including reduced speed limits in school and hospital zones. As reported, the package calls for allowance of speed limits to increase to 75 mph on certain sections of expressway, an increase to 65 mph on some rural highways and sets new speed limits for certain types of roadways. The bills also state that the *Department of Transportation* or a local road authority could modify any of those speed zones after conducting a speed and energy study, with the only requirement that the adjusted speed be rounded to the nearest 5 mph of the 85th percentile of vehicles traveling but could be no less than the 50th percentile of vehicles traveling.

The primary sponsor of the package, *Representative Bradford Jacobsen* (R-Oxford), noted that as a former local official, he began to work on the issue after concern rose regarding the increase in speed limit on gravel roads in his community. However, the bills, as reported Thursday from *Senate* members, maintain the speed limit of 55 mph on gravel roads. *Senators Jim Marleau* (R-Lake Orion) and *Hoon-Yung Hopgood* (D-Taylor) both abstained from voting, raising the questions of financial ability for the aforementioned local studies and how school zones will be operated on days with no school or changed school hours, respectively. Despite those concerns, the package was reported and will now be sent to the *Senate* for passage.

MUNICIPAL HEALTH CARE REFORMS: PART OF LAME DUCK DISCUSSIONS? – Discussing his thoughts on necessary issues to be worked through during *Lame Duck* in the coming weeks, *Governor Rick Snyder* stated that the reformation of Michigan’s municipal retiree health care system should be on the legislators list. Noted as being an estimated \$8 billion unfunded liability statewide, the issue of changing the state’s healthcare system is one that needs to be addressed as soon as possible, according to *Mr. Snyder*.

Commenting on the importance of the issue and what it means to residents, *Mr. Snyder* noted, “I think it’s a topic that should be addressed in a thoughtful way. You’re talking about people’s health benefits through retirement, but it’s an issue that we need to do better at in terms of making sure there’s a sustainable system that’s funded appropriately and can be successful in the long term.” The issue lies within the use of the *Health Savings Account* along with the *Medicare* program, as a large amount of municipalities do not participate in the *Medicare* program.

However, some union groups notified of the encouraged *Lame Duck* discussion noted that although discussion and reform are much needed, it is not something that could be adjusted and addressed properly in just a few weeks. Cities and municipalities across the state also agree reform is necessary and should be considered and executed carefully as it is considered to be one-third (roughly) of their budget and coincidentally, their debt. As some communities already have certain funding or pre-funding operations in place, the reforms will also need to be tailored in a way that all municipalities would benefit, therefore, requiring a more detailed and precise look, instead of a blanket reform. *Director of Communications* for *Governor Snyder*, *Ari Adler*, addressed questions on timing of discussions and possible proposals, stating, the “exact timing has not been determined” and that “any discussion of what is in any sort of proposal is premature at this point”.

POST ELECTION BALLOT PROPOSAL UPDATE – Of the 343 local ballot proposals on this Tuesday’s ballot, 86 percent saw passage, including those related to school, road or public safety issues. However, the **Regional Transit Authority (RTA)** proposal for a new integrated regional transportation system was not among them, causing some to note a reassessment and reevaluation of the plan is necessary. The proposal included a request for voters to pass a 1.2 mill-increase that would raise \$4.7 billion over 20 years for the transport system to operate throughout **Oakland, Wayne, Macomb** and **Washtenaw** counties, as well as the **Detroit Metropolitan** area. Though the **RTA** proposal did not pass, 78 percent of other new or increased money asks on local ballots did, and 95 percent of those asks considered as renewals were successful. Transit-related proposals passed 4 out of 5 and road proposals fared well, seeing 91 percent passage by voters. School proposals reported a passage rate of 88 percent and public safety-related proposals (including police, fire, emergency services, etc.) reported a 94 percent passage rate. Along with those mentioned above, all four community college proposals passed, as did all 13 library and all six veterans proposals.

ODDS & ENDS – The **Michigan Corrections Organization (MCO)** announced last week that members of the union voted to ratify a new contract for the next two years, including a 3 percent wage increase in 2017 and a 2 percent increase in 2018...announced as of last week, **Michigan Association of Counties Executive Director Tim McGuire** will resign effective December 31, with current deputy director **Stephan Currie** set to take his place...the 130th **Trooper Recruit School** ended on Friday of last week, with graduating 58 new state troopers to take oath of office, as announced by the **Michigan Department of State Police**...the **Michigan Court of Appeals** ruled last week Friday that for-profit institutions run by charitable institutions cannot receive the same tax exemption...parties involved in a proposed settlement that would create a new Michigan-only jurisdictional energy utility in the **Upper Peninsula** have been asked to provide additional information to the **Public Service Commission (PSC)** by November 23, regarding whether the proposal meets required statutory elements based on its record and language...the number of homes that have received new pipes under **Flint Mayor Karen Weaver’s FAST Start Initiative** has hit 295, with 44 more homes receiving pipes last week...in its monthly analysis the **House Fiscal Agency** reported this week Tuesday that the state was within \$1 million of estimates of the 2015-2016 fiscal year, which ended October 1...under **Senate Bill 1127** as reported by the **Senate Government Operations Committee** on Thursday of this week, an employer whose employee is a resident of a city that imposed an income tax would be subject to that city’s withholding provisions for that employee, even if the business did not have an establishment nor conducted any business in that city...according to unofficial results from the **Michigan Secretary of State’s** office, president-elect **Donald Trump** defeated **Hillary Clinton** 47.6 percent to 47.33 percent in Tuesday’s election, the closest margin of percentages for a presidential election in Michigan’s history...starting in 2017, the **Michigan State Board of Education** will be in a 4-4 partisan gridlock following Tuesday’s elections...members of the **Senate Military and Veterans Affairs Committee** reported legislation on Thursday of this week that calls for the creation of the **Michigan Veteran’s Facility Authority** including a board of directors tasked with overseeing facilities’ operation throughout the state...according to the **Senate Fiscal Agency** report released Thursday of this week, Michigan revenues for the month of October are up 3.7 percent from October 2015...the **Michigan Department of Environmental Quality** declared **Lake Erie** impaired as varying degrees of algal blooms continue...on Thursday of this week the **Canadian Government** and Michigan jointly released requests for proposals to build the **Gordie Howe International Bridge** between **Detroit** and **Windsor, Ontario** with final proposals to be finished and submitted in the next 18 months...**Governor Rick Snyder** left on Thursday of this week, along with **Detroit Mayor Mike Duggan**, to complete his sixth trade mission to **China**, that will last more than a week...**Detroit’s** three casinos each saw a drop in October revenue from 2015 to 2016, with **MGM** seeing a 0.3 percent decrease, **MotorCity** seeing a 1.6 percent drop and **Greektown** reporting a 5 percent decrease...**Governor Rick Snyder** ordered all state and national flags within the **Capitol** complex to be lowered to half-staff on Monday, November 14 in honor of former **Senator Earl Nelson** and former **Representative Jan Dolan** who both passed away November 1...Michigan **Republicans** now hold 432

county commission seats after Tuesday's elections, up from 396 seats after the 2014 elections.

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