

# KAROUB

ASSOCIATES

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To: Michigan Waterfront Alliance

From: Matt Kurta

Re: New Year's Update

Date: January 15, 2015

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The 2013-2014 legislative session ended with a flurry of last-minute activity, with over 200 bills seeing action during the post-November "lame duck" session before the Legislature officially adjourned for the year on December 30. Following are bills of interest to the Michigan Waterfront Alliance that were recently signed into law by Governor Snyder:

#### Gas Tax

After multiple meetings throughout December between the Governor and the respective leaders of the House and Senate Republican and Democratic Caucuses, the parties achieved a comprehensive deal. The framework of the deal represents five "Principles of Reform" declared by the parties:

- New, needed funding for roads and bridges,
- Protecting schools, local units of government and public transit,
- Dedicating taxes paid at the pump to transportation,
- Competitive prices at the pump, and
- Tax relief for lower-income individuals

The crux of the deal is a ballot initiative to be placed before voters on May 5, 2015 that will provide an option to increase the sales tax 1% from 6% to 7% and repeal the sales tax on gasoline effective October 1, 2015. The ballot initiative will also specifically state that School Aid Fund dollars cannot be used for higher education. Should voters approve the ballot initiative, roads will see an additional \$1.3 billion, schools will see both an additional \$300 million (roughly \$200 per-pupil), local governments will see an additional \$94 million, and lower-income individuals will receive tax relief of roughly \$260 million through expansion of the Earned-Income tax Credit and Homestead Property tax Credit. The state will also begin requiring online retailers with a "nexus" in Michigan to remit Michigan sales & use tax on online purchases.

Modifying the rate of the state sales tax requires amending the Michigan Constitution, which can only be done either directly by voters or via a 2/3 vote in each chamber with approval by the voters at the next general election. As a 2/3 vote required cooperation and votes from both Republicans and Democrats in both the House and Senate, Democrats were able to negotiate a number of their priorities into the overall deal, but those priorities are tie-barred to successful voter approval of the ballot initiative, meaning that if the ballot proposal fails, the entire deal fails. The details of the deal are as follows:

- House Bill 4251 allows a township to require a county road commission to award road projects through competitive bidding if the township contributes more than 50% of the project costs
- House Bill 4539 eliminates the sales tax on gasoline after October 1, 2015
- House Bill 5477 creates a new 14.9% wholesale tax on gasoline
- House Bill 5493 includes diesel in the new wholesale tax
- House Bill 5167 requires MDOT and local road agencies to bid out certain projects
- House Bill 4630 freezes the depreciation status on certain vehicle registration fees, increases fees on heavier trucks, and creates a new fee for electric vehicle registrations
- House Bill 5460 requires warranties on road projects
- Senate Bill 80 sets aside \$40 million for "at-risk schools", and requires greater disclosure of school district board and administrator expenses
- Senate Bill 847 increases the state Earned Income Tax Credit to 20% of the federal level
- Senate Bill 423 creates the "cost of property educating a student" study
- Senate Bills 658 and 639 enact the "Main Street Fairness" bills for online sales tax
- House Joint Resolution UU puts the 1-cent sales tax increase on the ballot and modifies the distribution of sales tax
- House Bill 5492 exempts gasoline from the use tax and modifies sales tax distribution to the School Aid Fund
- House Concurrent Resolution 39 offers up suggested ballot language to the Board of State Canvassers

The House and Senate passed this package during the wee hours of the morning, though horse-trading for House passage of certain Senate bills was necessary near the end of session in the Senate to secure the final three votes needed for 2/3 passage. Should voters not approve the package at the ballot box in May, legislators will need to start again at square one and the status quo will remain.

#### Invasive Species Legislation

The Governor signed Senate Bills 795-797 and 799-800, legislation that enhances penalties for those convicted of transporting prohibited aquatic species. The bills make various changes to the Natural Resources and Environmental Protection Act (NERPA) such as creating new felonies for violations involving the illegal possession or introduction of prohibited aquatic species, allowing seizure and forfeiture of property, and revoking licenses for certain violations.

A comprehensive analysis of the legislation is available here:

<http://www.legislature.mi.gov/documents/2013-2014/billanalysis/House/pdf/2013-HLA-0795-42B6DCE5.pdf>

### Recreational Vehicle Blood-Alcohol Limits Lowered

Governor Snyder signed House Bills 4441 and 4442 (sponsored by former Rep. Matt Lori, R-Constantine) 4444 (sponsored by Rep. Dave Pagel, R-Berrien Springs), and 4445 (sponsored by former Rep. Andrew Kandrevas, D-Southgate) into law on December 31<sup>st</sup> as Public Acts 402, 403, 404, and 405, respectively. This legislation would lower the bodily alcohol (BAC) limit from 0.10 to 0.08 for operation of a watercraft, snowmobile, or off-road recreation vehicle to match the current BAC limit of 0.08 when operating a motor vehicle, established in 2003. The legislation also prohibits persons younger than 21 from operating these vehicles with any amount of controlled substances in his or her body, increases penalties for alcohol and controlled substance operating violations for persons younger than 16, and increases the mandatory operating ban for a person who refuses to submit to a chemical test.

### Snyder Vetoes Biodiversity Legislation

Governor Snyder today vetoed Senate Bill 78, sponsored by Sen. Tom Casperson (R-Escanaba). SB 78 would have prohibited the DNR from including biodiversity preservation as one of its criteria for managing land.

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