

JANUARY 10, 2025

CAPITOL NEWS UPDATE

WEEK OF JANUARY 6, 2025



FROM THE PARTNERS DESK

Maureen Watson-Bolger

The Principals from the House and Senate Fiscal Agencies, the State Budget Office, and the Treasurer met this morning for the Consensus Revenue Estimating Conference. The revenue projections were positive with revenues coming in stronger than expected during the May conference. These projections will be the basis for the preparation of the FY 26 Executive Budget Recommendation which is expected in early February. Overall, the forecast increases Fiscal Year 2025 gross revenue by 1.8% or \$770 million with General Fund up \$457 million and School Aid Fund up \$312 million. Looking ahead to Fiscal Year 2026 the forecast increases gross revenue by 3.6% or \$910.2 million with General Fund up \$591.2 million and School Aid Fund up \$319 million. Continued growth of 2.1 % is also anticipated into Fiscal Year 2027.

This week kicked off the start of the 25-26 Legislative session and installed Republican Speaker Matt Hall in the Michigan House of Representatives. The Senate was not up for reelection last November and Democrats remain in control of the Chamber led by Majority Leader Winnie Brinks. The new Speaker quickly moved to make his goals clear establishing revisions to the impending minimum wage and paid sick leave laws as the top priorities of his caucus. For their part, the Senate Democrats reintroduced the long discussed FOIA reforms and a set of bills that would target payroll fraud as their top priorities. And so begins divided government in Michigan.

We have exciting news to share on behalf of our firm, McAlvey Merchant has added a new associate. We are proud to announce Graham Filler has joined the team. Filler, an attorney and key member of the Michigan House of Representatives, held significant roles including Chair of the Judiciary Committee and member of the House Regulatory Reform, Health, and Energy Committees. His tenure was marked by substantial achievements in criminal justice reform and leadership in advancing nuclear policy. Before his legislative service, he worked as an Assistant Attorney General under former Michigan Attorney General Bill Schuette, further sharpening his expertise in state governance and public policy. Filler was recently named Republican Legislator of the Year by MIRS News. To formally introduce you to Graham we would like to invite all our clients to join us for a welcome webinar next week:

“Welcome Webinar” for Graham next Thursday, January 16th @ 2:30p.

DATE: Thursday, January 16th

TIME: 2:30p to 3:00p

EVENT: Webinar to Meet Our Newest Associate Lobbyist Graham Filler

REGISTER in advance for the webinar:

https://us02web.zoom.us/webinar/register/WN_Dr79rdXzQROmX5r_fcKvhg

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103RD LEGISLATURE KICKS OFF WITH HALL ELECTED SPEAKER

House Speaker Matt Hall expressed gratitude and looked ahead to balance in government as the 103rd Legislature officially began Wednesday, ushering in a period of divided government after the first Democratic trifecta in 40 years came to an end with the close of last term.

Hall (R-Richland) was unanimously elected by the chamber.

Hall said at the start of last term, Republicans faced long odds.

"It was a pretty broken party when we started, and not a lot of people thought we could win," he said in a speech to members. "This is a long time coming, bringing balance back to state government."

After the 110 members of the House took their oath of office, Hall was nominated as speaker by Rep. Nancy De Boer (R-Holland).

"We can always learn a lot about a person's character when they are entrusted with power," De Boer said. "Some reach that achievement before they develop character. Others achieve position after difficult character shaping experiences. We are thankful for all the lessons Speaker-elect Hall has learned in the House through being in the majority, as well as in the minority, and in life up to this point."

De Boer praised Hall for his even-handed approach to office budgets, committee assignments and the authority of the House as a governing body.

"I am honored to nominate Representative Matt Hall to be the speaker of the House for the 103rd Legislature, not because he drifted into this chamber, but because he has worked hard, faced overwhelming opposition, seemingly impossible odds, and has risen to this opportunity," she said.

Minority Leader Ranjeev Puri (D-Canton) seconded De Boer's motion.

"Our actions in this chamber resonate far beyond these walls. They signal to the great people of Michigan that their elected leaders deliver solutions – not divisions. Progress, not partisanship," he said. "Michigan is a diverse state, and our constituents demand we work together. If we've seen anything, bipartisanship isn't just a buzzword, it's a necessity."

Puri encouraged Hall to prioritize pragmatic policy over political games. He highlighted tax relief, the rising cost of living, education and community safety as areas ripe for bipartisan work.

"Representative Hall has an opportunity to lead this body with fairness, respect and a deep commitment to the values that we all hold dear," Puri said. "His leadership should ensure that the House creates a place where diverse perspectives are valued, and the best ideas rise to the top for the benefit of all Michiganders."

Hall thanked his family, former Governor Rick Snyder and several other political dignitaries who attended the opening ceremony for the House. In attendance were former Secretary of State Terri Land and former Attorney General Bill D. Schuette, for whom Hall once worked.

He also addressed senior members of the chamber, naming Rep. Curt VanderWall (R-Ludington), Rep. Tyrone Carter (D-Detroit), Rep. Angela Witwer (D-Delta Township) and Rep. Joe Tate (D-Detroit). Hall is beginning his seventh year in the House. He is the first person to become speaker with more than two terms of prior experience since the late former Speaker Curtis Hertel Sr. in the 1997-98 term, the last term before the 1992 term limits law took effect. The 2022 term limits change enables members to stay in the House for up to 12 years instead of the old limit of three two-year terms.

"We're on top of the seniority, but there are a lot of great people that served with us here over the years. I invited many of them back," he said. "It just meant so much to me, going through this with all of you, because we built this together."

The House also adopted HR 1 approving House Rules, HR 2 electing Rep. Rachelle Smit (R-Shelbyville) as speaker pro tempore. The House also elected Scott Starr as the new House clerk under HR 3. Starr was the assistant clerk in the 2023-24 term and had trained under former Clerk Gary Randall during the 2021-22 term. Rich Brown, the House clerk in the 2023-24 term, will move to assistant clerk. He held that role from 2011-22.

Following additional procedural resolutions, the House adjourned for the day. It will reconvene for the first full day of session on Thursday at noon.

SENATE, HOUSE SETTING TABLE ON COMPETING PROPOSALS FOR WAGE, SICK TIME LAW CHANGES

Sharply different proposals for amending the state's minimum wage and paid sick time laws are beginning to see the light of day, which will be the basis for House and Senate leadership negotiations.

The Senate Democratic majority introduced two bills on Wednesday, with key changes including an increase to the tipped minimum wage, but unlike the soon to take effect law would not bring it up to the regular minimum wage, and slight changes to the regular minimum wage. Meanwhile, the House Republican majority is planning to introduce legislation that would keep the tipped wage at the existing level and raise the minimum wage more slowly.

Both laws are set to take effect February 21.

The Senate proposals come after months of pressure from opponents of the laws and from union groups that urged the then-Democratic trifecta last fall to hold firm and let the laws take effect as enacted.

A failure in negotiations during the last month's lame duck session on amending the two laws and on a road funding plan led to House Republicans walking out during the final week of session, bringing session to a halt, killing numerous pieces of legislation and kicking the can on a solution into the new session under divided government.

Senate Minority Leader Aric Nesbitt (R-Porter Township) told reporters Wednesday, "Let's finish saving paid time off and saving 50,000 restaurant jobs" in listing his key priorities for the new session.

Nesbitt questioned the Legislature, particularly the House, rarely meeting for months before the November elections, saying that a deal was not possible last month.

"It's unfortunate that it's pushing into today, but you're hearing it from folks all around the state," Nesbitt said. "The real challenge from wait staff, bartenders, and then from manufacturers and others that doing away with

paid time off and implementing a new sick leave mandate is going to be devastating to so many manufacturers and so many small businesses around the state."

Nesbitt questioned why there needs to be any change to the tipped worker minimum wage, set at 38 percent of the regular minimum wage, provided that their tips bring them to at least the regular minimum wage, adding most bartenders do not want changes either. He said it is the Legislature's responsibility to fix what he called a mess for the workers of Michigan.

"I would say that in terms of what we tried to work on last month, on saving paid time off, on saving 50,000 restaurant jobs and finding a landing spot on roads and infrastructure, that I think there would have been a landing spot last month, and I felt, I felt we were 60 percent of the way there until legislative Democrats walked away from the table."

Sen. Jeremy Moss (D-Southfield) said a conversation must begin now on the two laws and the proposals before the Legislature.

Moss was asked if he had concerns about Democrats being seen as hypocritical by proponents of the law changes if they move to preempt the court-ordered changes. He pointed to the potential effects of the laws as they stand, while taking aim at House Republicans for leaving session last month when negotiations failed.

"This is something that has a lot of implications for both employees and employers," Moss said. "This is what the Senate Democrats are leading off with by saying 'okay, this is the conversation that clearly the Republicans, then in the minority, were literally willing to halt the entire business of the state of Michigan to have a conversation on.' ... So here we are making an offering that let's have a policy discussion. ... We don't want this thing to be something that holds up the business of the state of Michigan."

House Democrats acknowledged the two laws will be a priority.

"We obviously knew these were going to be some of the bills we were going to be addressing up front," House Minority Leader Ranjeev Puri (D-Canton) said. "These are topics that are nuanced, and we look forward to canvassing our caucus to see where everyone's at, having robust discussions. Anytime that there's a chance to govern and work across the aisle, our hands are extended, and we want to find solutions that are going to meet the needs of Michiganders."

Rep. Mike Harris (R-Waterford Township) said that the caucus made it clear that these bills were a priority for them last term when House Republicans walked out of the chamber.

"We didn't get anywhere last term," Harris said. "So, that's going to be our first two bills that we drop this time."

Two key changes are proposed for the minimum wage and tip law under SB 8, introduced by Sen. Kevin Hertel (D-Saint Clair Shores). The first change is to increase the minimum wage to \$15 per hour by 2027 instead of \$14.97 per hour by 2028. The other would keep the tipped wage at 38 percent this year but increase it over the next 10 years to 60 percent before capping it at that level.

Hertel said he and other members began work on a possible solution to concerns over the minimum wage law after the Michigan Supreme Court's adopt and amend ruling last summer. That ruling threw out the Republican law that amended the 2018 voter-initiated law bringing tipped workers up to the regular minimum wage. He said he and others have spoken to numerous workers and small business owners on how to make the law workable.

He said there are some members of his caucus generally supportive of making changes and those who would prefer the laws to go into effect as they stand.

The senator also took aim at House Republicans for refusing to come to session in the final days last month, adding he believed House Republicans politicized the laws because they were upset that they could not get everything they wanted and chose to walk away completely.

"This is a situation where we'll have to have compromise," Hertel said. "We need to take the politics out of this."

Hertel's hope was that the negotiations do not bleed into other policy items or into work on the next budget.

Hertel dismissed concerns that interest groups might be upset at Democrats if they make any changes. A variety of unions, activist groups and Democrats outside of the Legislature have urged the 2018 laws be allowed to take effect.

"I work for the people that elected me to this position," Hertel said. "They told me they didn't want this to go into effect."

Rep. Jay DeBoyer (R-Clay) is sponsor of what will be House Bill 4002, which relates to paid sick leave. The goal, he said, was not to gut the law as it exists, but to provide a rational approach for business owners and employees.

"Just because you show up for a day and work for a week, doesn't mean you get paid leave time, right? It's got to be rational for the business," DeBoyer said. "There's still the provision in there that you have a couple day grace period if you don't call. I can imagine being sick with the flu, being in bed, and on the floor, and you don't call. We're not going to allow people to just get fired for that."

DeBoyer said that he was hopeful the legislation would meet everyone's needs and ultimately be bipartisan.

"It's a happy balance," he said. "We're staying true to our commitment to the people of Michigan. And my hope is that the Democrats – and a number of them I've talked to are like, 'yep, these are reasonable.' My hope is that as a caucus, they can get behind it, and we can get it done bipartisan because at the end of the day, we both have the same thing in mind ... we want to make Michigan the most competitive, best state."

To get the bills to the floor for a vote, though, the House will need committees.

"My guess is over the next couple of weeks that will roll out," Harris said. "We have a meeting tomorrow about exactly how it will work out."

DeBoyer echoed Harris and said that was something House Speaker Matt Hall (R-Richland Township) was working on.

"God bless Matt Hall – he's going to have to navigate how we're going to get through this," he said. "We're going to get in front of the members so that members have the opportunity to read it ... and make a decision on where they stand and put it up for a vote."

For the sick time law, several key changes are also to be proposed under SB 15, introduced by Sen. Sam Singh (D-East Lansing). A message left with Singh on Wednesday for comment was not immediately returned.

The definition of a small business would be changed from 10 employees to less than 25 employees while retaining language that small businesses are required to provide 40 hours of paid sick time with an additional 32 hours unpaid. All other employees would still be required to provide 72 hours of paid sick time.

A cap of accrued hours would be set at 288 hours. However, if an employer pays out the value of the employees' unused sick time, then the carry-over requirement can be capped at 144 hours.

The notification period of seven days or "as soon as foreseeable" to align with other states and the Family Medical Leave Act would be maintained, but a provision would be added that if a business or organization has mandated staffing ratios then that organization's human resources policy would take precedent.

Language would be changed regarding leave time increments from "smallest possible increment" to 1-hour. Further language would clarify that front-loading is permitted under the act.

Additional language regarding enforcement and the removal of presumptive retaliation language from the existing paid sick time law is also included. Employer groups had raised concerns that an employee could file a complaint that their employer violated the sick time law, and the automatic presumption was the employer violated the law.

Meanwhile, the House wage bill would raise the minimum wage to \$12 an hour on February 21, \$12.50 on January 1, 2026, \$13 on January 1, 2027, \$14 on January 1, 2028, and \$15 an hour starting January 1, 2029. It would retain existing language adjusting the wage for inflation annually starting in 2030 but would change the inflation threshold to halt the wage increase if inflation is 7.5 percent or more instead of the current 8.5 percent level.

Further, it would maintain the tipped wage level at 38 percent of the regular minimum wage, and repeal PA 337 of 2018, the voter-initiated law.

On sick time, the House draft bill would declare part-time employees (those working less than 25 hours per week or 25 or fewer weeks per year) ineligible for paid sick time. Further, all employees, regardless of the size of their employer, would be required to be eligible for at least 72 hours of paid sick time, earned through accruing one hour for every 30 hours worked.

A big change would be to exempt employers with fewer than 50 employees from having to provide paid sick time.

Another significant change would allow employers to provide at least 72 hours of paid sick time per year and in exchange not have to calculate and track the employee's accrual of earned sick time, nor allow employees to carry over any paid sick time to the next benefit year.

Further, the changes would require employees to comply with their employer's requirements for notification and documentation when taking a paid sick day or days and allow employers to take disciplinary action if the employee fails to do so. The law set to take effect February 21 limits employers' ability to inquire about an employee's status for three days to determine whether they are taking paid sick leave.

HALL TALKS INFRASTRUCTURE, TRANSPARENCY AND THE TERM AHEAD

In a wide-ranging roundtable discussion with reporters on Thursday, Speaker Matt Hall (R-Richland) discussed the term ahead, laying out some of his priorities and his vision to restore the reputation of the House.

"I'm not going to play it safe the next two years," Hall said. "We're going to go, and we're going to be aggressive and bold, and we're going to do the things we told the people of Michigan we're going to do."

Among his priorities, Hall said he wanted to fix the state's roads, bridges and sewer infrastructure, the state's water infrastructure, deliver on the Public Safety Trust Fund and lower the state's income tax.

If a roads deal is going to happen, Hall said it would likely need to be in place by the time the Legislature is ready to pass the budget in June.

"It's connected, right? Since I'm proposing that we use a lot of the General Fund that's not allocated to roads, they probably work together," he said. "I do think that if the budget's done and there isn't a lot money for roads, then we'll probably know that we missed our window for a while."

The budget surplus being forecast by the House Fiscal Agency and Senate Fiscal Agency could be used to go towards roads and potentially lower the income tax, Hall said.

As part of the 2015 road funding package, which included tax and fee increases, Republican legislators included a provision that would reduce the income tax should revenue growth exceed economic growth. In the early 2020s, thanks to the COVID revenue surge, that threshold was hit, and the income tax rate was reduced for 2023 to 4.05 percent. Governor Gretchen Whitmer's administration determined that the language meant the decline was for one year only and raised the rate back to 4.25 percent for 2024.

"I want to fix our roads, our bridges, our sewer infrastructure, our water infrastructure. We want to do a Public Safety Trust Fund, and hopefully we can still find so room to reverse the Democrat income tax hike," he said. "That's going to be a tall order."

Transparency is another priority for Hall, who cited his oversight committees (See Gongwer Michigan Report, January 7, 2025) and his desire to create a cooling off period for lawmakers before they become lobbyists.

Hall also said that the House rule requiring sponsors for enhancement grants was another measure to increase transparency and that he hopes to end the Legislature's dependence on conference committees and the lame duck period to run bills through both chambers.

"I don't think this lame duck period should be a period where you just ram through unpopular votes without committee hearings in the middle of the night after an election," he said. "As speaker, I would wield that power appropriately, but if we do this overtime and look at what's the best thing for the institution, what's the best thing for the people of Michigan – it's a requirement that a two-thirds vote is required in lame duck."

Hall said that people shouldn't expect fast action from him on changes that would make the governor's office and the Legislature subject to Freedom of Information Act requests.

"For 10 years, these guys have come up with the sales pitch to you in the media that they're going to do this, and you guys have bought it," he said. "Don't get your hopes up ... I just told you some transparency things that I'm really passionate about. The difference between me and the rest of these people? I'm actually going to do these things."

Hall said he expected that the House oversight committees would be very busy throughout the term.

"As we move forward ... you saw we had a lot of work on the rule with our legal team to make sure we had really good rules, and we're going to look very carefully," he said. "We're going to need lawyers for subpoenas, and it's going to be a lot of legal work."

Former Rep. Andrew Fink is serving as House Republicans general legal counsel.

Hall went on to discuss his working relationships with Governor Gretchen Whitmer and Senate Majority Leader Winnie Brinks (D-Grand Rapids) and his desire to restore respect to the House.

"Governor Whitmer is very talented," he said. "I respect, and I think what my job as speaker is, is for her to start respecting the House again, because this body was basically an extension of her office for the last two years."

The next two years will likely be both combative and productive, Hall said.

"We're going to get a lot done," he said. "If I were Brinks, if I were Whitmer, if I were any of these people, I would prefer someone as the leader of the House who's a different party if that person could make deals, follow through on those deals, and also set their priorities and make those clear to someone of my own party who led me along."

Hall said he was done wasting time in the House.

"Nobody here wants to have their time wasted," he said. "We have a lot of work to do."

BEDLAM ERUPTS AS HALL DECLARES 9 REMAINING BILLS WON'T GO TO WHITMER, FOR NOW

The fate of nine significant bills from the previous term was thrown into doubt Thursday when House Speaker Matt Hall declared the House would not formally present them to Governor Gretchen Whitmer for her signature while a legal review of them takes place.

The situation was first reported by Gongwer News Service.

Hall (R-Richland) wants the review to examine whether and when the House must send them.

The bills are some of the most controversial pieces of legislation passed during the Senate's marathon session that took place December 19-20, probably most significantly HB 6058 of 2024, which requires public employers to pay a larger share of the health insurance premium for public employees.

"When I leave the office of Speaker someday, I'm going to make sure that every bill that is passed under my speakership is going to get presented to the governor before I leave," Hall said. "I stopped. I said we need a legal review. We need to look at all the legal ramifications, and then we'll make a decision after that."

The bills have technical errors in the legal language, a source with knowledge of the situation said, speaking on background. Among the problems are errors related to tie bars.

House Democratic leadership rushed the bills out of the chamber, the source said, which was the root of the mistakes, and with the Senate unable to amend them before returning them to the House prior to the end of the term, the errors went unaddressed. The House could not conduct business for lack of a quorum. Had the Senate

amended the House bills, they would have remained stuck in the House for lack of a concurrence vote on those changes.

Attorneys are currently reviewing the legislation as well as the requirements for presenting bills passed by both chambers to the governor after the start of a new term.

The goal of the legal review is to ensure that the bills are handled correctly and in a transparent manner, a source speaking on background said.

The House presented 100 bills to Whitmer on Wednesday, but a Gongwer News Service analysis of the bills returned from the Senate to the House and ordered enrolled shows that nine were not among those presented to the governor.

Besides the bill on health insurance premiums for public employees, the bills include three bills that would allow Detroit history museums to seek a property tax millage from Wayne County voters (HB 4177

of 2023, HB 5817 of 2024, HB 5818 of 2024); bills that would put corrections officers into the State Police pension system (HB 4665 of 2023, HB 4666 of 2023, HB 4667 of 2023) and exempting public assistance, disability and worker's compensation from garnishment to repay debts (HB 4900 of 2024, HB 4901 of 2024).

These bills passed the House and Senate on party-line or near party-line votes.

Article IV, Section 33 of the Michigan Constitution says, "Every bill passed by the legislature shall be presented to the governor before it becomes law, and the governor shall have 14 days measured in hours and minutes from the time of presentation in which to consider it."

But there is nothing in the Constitution, statute or the Joint Rules of the Legislature stating when a legislative house must present the bill.

The current question is how "shall" should be interpreted legally in the current circumstances.

Usually, bills are presented one to two weeks after final passage. Sometimes, they are rushed to the governor in a day or two or even an hour. Other times, bills have been held in a legislative house for months for tactical reasons before getting presented.

A message left with Governor Gretchen Whitmer's press office was not returned Thursday.

House Democratic Minority Leader Ranjeev Puri (D-Canton) said his caucus was engaging in every possible option to get the bills to the governor's desk.

"Our chamber voted in support of legislation to improve health care access, retirement security and financial protections. I am extremely disappointed to see bills that would make such a positive impact on the lives of families and workers be used as a political pawn by House Republicans," he said. "House Democrats will do everything we can to get bills to the governor's desk to support labor policies that build up the working class and Michigan families."

Senate Majority Leader Winnie Brinks (D-Grand Rapids) took a shot at Hall in a statement on X, formerly Twitter.

"A self-proclaimed "constitutional lawyer" should be able to understand a very simple sentence in the Constitution that says bills shall be presented to the Governor." Brinks wrote.

The remark was a reference to Hall being a self-employed constitutional law attorney since 2018.

Hall responded to Brinks' comments during a roundtable with reporters on Thursday, saying there is no clear legal timeline of when the bills "shall" be presented.

"You can hold these things a long time," he said. "I wanted to do a legal review, and we're going to do a very thorough legal review to look at these bills," Hall said. "We just want to get this right, and I would hope that Leader Brinks would respect that."

Rep. Mai Xiong (D-Warren), sponsor of HB 6058 of 2024, said while it may seem like a complicated and unprecedented situation with the bills rolling over into the next session before being presented, the process is still straightforward.

"There is a process ... for how a bill becomes law," Xiong said. "The process has been completed in both chambers and now the clerk has to present the bills."

Xiong said she is confident the bills will be presented to the governor and signed into law.

"This legislation is very important and it's going to impact a lot of state employees," Xiong said.

There is no recent precedent for a legislative house to wait on presenting bills beyond the start of the next Legislature, which took place at noon Wednesday. House Speaker Matt Hall (R-Richland) and Starr were formally elected to their roles at 12:25 p.m. and 12:35 p.m., respectively, finalizing the transfer of power from Democrats in the prior term to Republicans in this one.

At the end of the 2007-08 term, the Senate ordered a bill enrolled on December 19, 2008. But it was not presented to then-Governor Jennifer Granholm until January 7, 2009. Granholm signed the bill on January 16. But January 7 was before the next Legislature convened on January 14, 2009. And there were no real stakes. The House remained under Democratic control as the new term began with the same speaker and same clerk, and it was halfway through the Senate term with Republican control still in place.

The closest parallel to what is occurring appears to have taken place at the end of the 1981-82 session. Jim Blanchard had won the election in November 1982 to succeed retiring Governor William Milliken and was set to take office at noon January 1, 1983.

The Senate waited to present four bills, including a pair transferring control of the state library from the Department of Education to the Legislature, until January 4, 1983, three days after Blanchard took office. Milliken had declared his opposition to transferring the library, so then-Senate Majority Leader William Faust waited to have the Senate present the bills. Blanchard signed all four bills on January 17.

The difference, however, is the new Legislature did not convene until January 12, 1983, that year. And the intent was to present the bills, not withhold them indefinitely. But it still underscores the gray area that exists regarding when a house of the Legislature actually transmits a bill to the governor.

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