



Interest In Ethanol Heightens

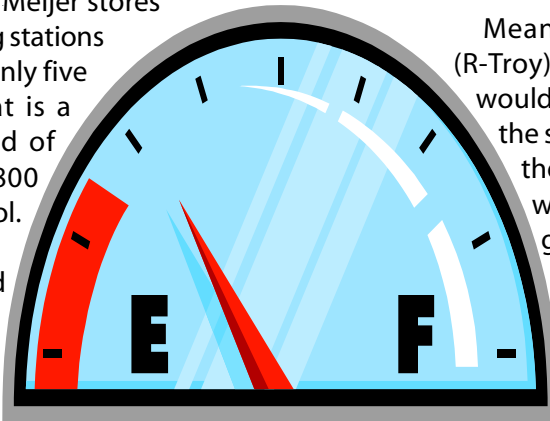
With the price of gasoline hovering around the \$3-a-gallon mark, all of a sudden there is heightened interest in alternative fuels; chief among them is corn-based ethanol.

Saying, "We are going to be the State that makes the U.S. independent of foreign oil," Governor Jennifer Granholm proclaimed she would work to make Michigan the number one state in ethanol production.

With the Capitol Building as a backdrop and an E85 fueling hose in one hand, Granholm announced an ethanol partnership with General Motors and Meijer stores and hailed a plan for 20 new E85 fueling stations across the State. Currently, there are only five Michigan stations offering E85 that is a cleaner-burning corn-derived blend of ethanol. State Government has 1,800 vehicles capable of running on ethanol.

Renaissance Zones and Agricultural Processing Renaissance Zones have enabled the establishment of a corn-to-ethanol production plant in Caro and four additional plants are scheduled to open in the immediate future.

In addition, the Legislature has passed a package of legislation that creates incentives for gas station owners to convert pumps to E85 flexible fuel by giving a grant to cover 50 percent of the cost associated with making the conversions.



President Bush to support a cap on excessive oil company profits.

Directing the problem at President Bush, Governor Granholm said oil prices have increased 240 percent since he came to office and the average price of unleaded gas has increased by 64 cents a gallon.

Not to be outdone, Dick DeVos, the likely challenger to Granholm in the November election, says the answer to high gasoline prices in Michigan is for the State to stop collecting sales tax on gasoline when the price goes over \$1.95 per gallon. That would save drivers about 6 cents a gallon and hit the state budget for \$285 million a year.

Meanwhile, Representative Bob Gosselin (R-Troy) introduced legislation last year that would give the Governor power to suspend the sales tax on gasoline and diesel fuel, cap the sales tax collection on gasoline sales when the pump price reaches \$2.30 a gallon, create a sales tax holiday on gasoline sales for seven days prior to Labor Day, and remove the inclusion of the Federal Gas Tax in the base for state sales tax calculation.

The House has passed House Bill 4204, giving the Governor the power to suspend the sales tax on gasoline and diesel fuel. The bill is pending in the Senate Government Operations Committee. Other bills (HB 4841, 5211, and 5233) are pending in the House Tax Policy Committee.

Michigan motorists pay 19 cents per gallon in State gas tax and another 18.4 cents per gallon in federal tax. In addition, the State collects 6 percent sales tax on the price of gas.

High Gas Prices Spark Political Posturing

It did not take long for the increased price of gasoline at the pump to draw the attention of the politicians.

Governor Jennifer Granholm has launched a web site where Michigan residents can sign an online petition telling

State Preparing Energy Plan

Under an Executive Directive (2006-2) issued by Governor Jennifer Granholm, Michigan Public Service Commission Chairman, J. Peter Lark, has been charged with developing a comprehensive long-range State energy plan by the end of the year.

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State Preparing Energy Plan continued...

The directive seeks recommendations to ensure that the State can both reliably meet its growing energy needs and keep electric rates competitive. In addition, the plan is to seek alternative and renewable sources of energy as alternatives to traditional electricity generation.

Workgroup meetings to gain input from industry representatives as well as the public sector, including Department of Environmental Quality (DEQ) Director, Steve Chester, will be held through the summer months.

Meanwhile, a workgroup created by Senate Technology and Energy Committee Chairman Bruce Patterson (R-Canton) to look at the State's energy needs, has issued a report calling for Michigan to look 30 years into the future to decide how much power it will need and from where it will come. The report also calls for new energy efficiency programs.

Patterson called for a Statewide energy plan last July and later formed the workgroup comprised of energy, environmental and customer interests. Patterson says the next step will be to provide more specific legislative recommendations for implementing an energy policy.

Ethics Legislation

Democratic lawmakers have unveiled a package of ethics legislation that would extend ethics standards and conflict of interest to executive branch officials and legislators. The legislation would put the State Ethics Board in charge of enforcement. The legislation would also require State elected officials and candidates to disclose financial interests.

Specifically, the legislative package requires annual disclosure of financial interests for the prior three years; enhances the powers of the State Board of Ethics; prohibits State contract managers from acting on any contract matter when the manager has a conflict of interest; bars contract managers from soliciting or accepting campaign contributions; extends the ban on paid speaking fees for legislators to all elected State officials and officials in the executive and legislative branches subject to the State's lobbying laws; and bans soliciting, delivering, or accepting political contributions in government facilities.

Missing from the legislation, however, is required disclosure of who is giving money to 527 accounts and local political party sub-accounts.

Secretary of State Terri Lynn Land also got into the act proposing a 10-part plan to make Michigan's campaign money more visible to the public.

Included in her proposal is a ban on political campaign committees "spending a dime" until contributions are reported online and prohibiting politicians from directly transferring campaign money from one account to another.

Land also is calling for report-as-you-go "real time" disclosures instead of the current periodic reporting schedules. She also wants her department to have audit and subpoena power to ensure contributors and campaign committees are being truthful about the money that is being raised and spent.

Land's proposal does not address 527 accounts either, but she says they should be eliminated.

House Republicans announced an ethics package of legislation in March that would require State elected officials to disclose their financial interests. It also includes a constitutional amendment that would give the Legislature the ability to reduce the pay of legislators who miss session without valid excuses.

Northville Hospital Sale Headed For A Higher Court?

Although Ingham County Circuit Judge James Giddings said he was "troubled" by the process in which the Department of Management and Budget (DMB) sold the Northville Psychiatric Hospital property, he ruled that Grand Sakwa did not have standing to complain about the sale.

Grand Sakwa did not offer an initial bid to participate in the auction, but file suit in court alleging the sale was illegal. Grand Sakwa is expected to challenge Giddings' ruling in the Court of Appeals.

After awarding the sale to Real Estate Interests Groups Inc. (REI) for \$31.5 million (DMB thought the property was worth \$65 million) DMB then negotiated a deal behind closed doors for REI to purchase the property for \$25 million over four years and the remaining \$6.5 million later.

From the bench, Giddings expressed his belief that DMB had violated Public Act 6 of 2002, the act that authorized the state to sell the property, many times over and may have violated the State Constitution because the Constitution prohibits the State from extending credit.

The court did rule that DMB violated the Open Meetings Act when security guards directed Sakwa representatives away from a State Administrative Board meeting where final approval of the sale was taking place. The State was ordered to pay \$5,700 to cover plaintiff's attorney costs.



High Court Ponders Voter Photo Identification

In an extremely unusual move, the Michigan Supreme Court has decided to issue an advisory opinion on whether a law requiring voters to show a photo ID before receiving a ballot violates either the U.S. Constitution or the State Constitution.

The high court has given Attorney General Mike Cox, the Bureau of Elections and both the State Democratic and Republican parties until mid-July to file briefs on the issue.

Under the law, Section 523 of PA 71, 2005 would be first used for the 2008 elections, as it becomes effective January 1, 2007. The requirement was tacked on to legislation (SB 0513) giving school districts more freedom in choosing their election dates.



In 1996, Attorney General Frank Kelley said requiring a photo ID was not necessary because at that time there had been no evidence of impropriety in the voting process.

However, House Speaker Craig DeRoche (R- Novi) says that changed during the last voting cycle in Detroit where there were some alleged voting irregularities, which prompted the Republican's request for the Advisory Opinion.

"We have to take those allegations seriously because every vote counts, or it should," DeRoche said. "We need to ensure the sanctity of the voting process."

Democrats, however, are concerned that requiring photo IDs would reduce voter turnout and place a burden on the poor who may not have a photo ID with them when they vote.

SBT Sniping Continues

The finger pointing and political posturing continues over efforts to accelerate the demise of Michigan's Single Business Tax (SBT).

A challenge issued by Governor Jennifer Granholm to Republican legislative leaders to end the SBT by the end of this year, and craft a replacement for the tax that would not shift the burden to citizens or require deep cuts in health care, education or police and fire services was quickly rejected.

The challenge was in a form of an agreement she had signed and asked the Republican leaders to do the same.

In response, Senate Majority Leader Ken Sikkema (R- Wyoming) sent to the Governor an "Agreement to Lead" that included "keeping the same position on an issue for longer than it takes to complete two public polls."

House Speaker Craig DeRoche (R- Novi) wrote in a letter to Granholm, "Forgive me, but I'm getting sea-sick keeping track of your position on the issue."

The sniping follows Granholm's veto of Republican-driven legislation that would have put an end to the SBT on December 31, 2007, two years earlier than it is currently scheduled to expire.

In a recent statewide poll, 56 percent of those polled said the SBT hurts businesses, 67 percent said it should not be replaced dollar-for-dollar with a new business tax and 50 percent said both taxpayers and businesses should pay for a replacement tax. Sixty-seven percent opposed any proposal that would give businesses a 32 percent tax break putting the burden on individual tax increases or state budget cuts.

Caucus PAC Money Pours In

As the Legislative Caucus Political Action Committees (PAC) head into the 2006 election, three of the four committees have at least \$1 million in the bank with no debt and the fourth is just a scant \$65,000 short.

The required April filings show the Senate Republicans, Senate Democrats, House Republicans and House Democrats broke individual fundraising records that sets the stage for a very expensive campaign cycle.

The Senate Republican Campaign Committee (SRCC) reported \$1.345 million and no debt. The House Republican Campaign Committee (HRCC) netted \$844,000 in the period from Jan. 1 to April 20 – the biggest first quarter in an election year of any caucus in the last four cycles. HRCC's cash on hand is \$1.1 million.

The House Democrats also shattered fundraising records in this cycle, bringing in \$602,000 giving them cash on hand of \$1.04 million in their House Democratic Fund (HDF). The Senate Democratic Fund (SDF) reported \$935,000 in the bank.

Democrats: Put A Cap On Bottled Water

Legislation has been introduced by House Democrats that would require existing and new bottled water companies in Michigan to get legislative approval before diverting water from the Great Lakes. The legislation does not, however, include any other company that uses water from the Great Lakes to produce or manufacture products.



Another Day Off For State Workers

For the first time, many State employees will get the day off with pay on Election Day in November.



The day off was first negotiated by the unions representing State workers and was eventually extended to non-union employees in most departments.

Unionized State employees who have to work on Election Day, such as prison guards and State Police officers, will get paid time and a half while non-unionized employees will be paid straight time.

Revenue Estimating Conference Set For Mid-May

State Treasurer Robert Klein, Senate Fiscal Agency Director Gary Olson and House Fiscal Agency Director Mitch Bean will convene the semi-annual Consensus Revenue Estimating Conference on May 17.

That is when the three will reevaluate the State's revenue projections for the current fiscal year and project what the State will have to spend in the 2007 fiscal year beginning October 1.

Once the trio has determined the revenue projections for next year, the administration and legislative leaders will meet to reach agreement on a "bottom line" spending figure for next year's budget and the 2007 budget process will kick into high gear.

GOP Rolls Out Another Jobs Plan

As Michigan continues to lag behind most other states in the Nation's economic recovery, House Republicans have unveiled a new jobs plan that would provide brownfield credits and enterprise zones to rural communities.

The plan, released as the State's unemployment rate climbed to 6.8 percent, would also let small towns and rural areas create obsolete property rehabilitation districts to support commercial property rehabilitation and let any area apply for Neighborhood Enterprise Zone designation.

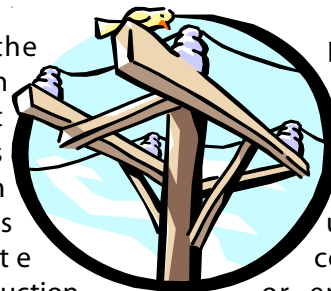


Granholt: Reduce Mercury Emissions

Saying she wants to protect the health of Michigan residents and the environment from the harmful effects of mercury emissions, Governor Jennifer Granholm recently proposed a 90 percent reduction in mercury emissions at Michigan power plants by 2015.

In a letter to Department of Environmental Quality (DEQ) Director Steven Chester, Granholm requested promulgation of a rule in which the first phase would use the reduction in emissions authorized under the federal Clean Air Mercury Rule (CAMR). The second phase would go beyond CAMR to get to the 90 percent requirement.

Under the proposal, a utility would be given additional time to comply if it operates mercury reduction technology, but upon testing is unable to demonstrate compliance with the required reduction or emission limits. Additional compliance time would also be granted if a power plant shows that the annualized incremental cost of mercury reduction technology to go beyond CAMR would exceed a specified percentage of the gross revenue from electric generation for the utility system.



Chester has announced the DEQ will begin working on promulgating the rule by initiating a formal stakeholder group process to implement the directive.

Poll: Granholm, DeVos Still Neck and Neck

The latest statewide gubernatorial poll, conducted April 3-9 by EPIC/MRA, confirms one taken by Marketing Resource Group (MRG) in mid March, show both Governor Jennifer Granholm and her likely GOP challenger Dick DeVos continue in to be in a dead heat in their race for governor in the November election.

The EPIC/MRA poll of 600 likely voters shows both with 43 percent. The poll, according to pollster Ed Sarpolis, reflects a 3 percent dip in the total percent of minorities who say they are going to vote this fall, and an increase in the percentage of undecided voters.

The poll also shows only 45 percent of the State's likely voters believe Granholm is doing a good job while 53 percent think she is doing a poor job. And 65 percent think the State is headed down the wrong track while only 16 percent believe the State is headed in the right direction.