



## **GCSI STATE BUDGET UPDATE**

The Michigan Legislature continues to work on modifications to the state general fund budget for Fiscal Year 2010, which commenced last Thursday, October 1, 2009.

### **A. Continuation Budget (Public Act 104 of 2009)**

For now, the state functions pursuant the continuation budget prescribed in Senate Bill 831, *now Public Act 104 of 2009*. That budget appropriates \$2.9 billion in total state spending - \$689 million of it general fund money – for departmental and agency operations during the month of October 2009. Generally speaking, the continuation budget comports with the spending targets established by legislative leaders for individual state budget areas.

Members of the House and Senate Appropriations Committees also used leaders' spending targets to determine the amount of state support for programs throughout the general fund budget bills, all of which have been passed by the Legislature.

### **B. Six FY 2010 Appropriations Bills Remain In Senate**

Despite the Legislature having passed all of the general fund budget bills, the Michigan Senate, in a procedural move, continues to hold six of the measures. They are:

- The Conference Report for **Senate Bill 243**, the FY 2010 budget for the Department of Energy, Labor and Economic Growth.
- The Conference Report for **Senate Bill 245**, the FY 2010 budget for General Government.
- The Conference Report for **Senate Bill 248**, the FY 2010 budget for the Department of Human Services.
- The Conference Report for **Senate Bill 253**, the FY 2010 budget for the Department of State Police.
- The Conference Report for **House Bill 4436**, the FY 2010 budget for the Department of Community Health.
- The Conference Report for **House Bill 4441**, the FY 2010 budget for Michigan universities.

Senate leadership reportedly is concerned Governor Granholm may veto entirely or by line-item all or some of the aforementioned spending plans. FY 2010 budgets for the remaining state departments have been ordered enrolled and presented to Governor Granholm for her signature into law.

The following House Fiscal Agency chart illustrates the status of all the FY 2010 appropriations bills:

**APPROPRIATION BILLS - STATUS REPORT**  
**AS OF OCTOBER 9, 2009 AT 9:10 A.M., HOUSE FISCAL AGENCY**

<b>Bill No.</b>	<b>Budget Area</b>	<b>Upcoming Action</b>	<b>Conferees/Agenda or Most Recent Bill Action</b>
<a href="#">HB 4435</a>	Community Colleges	Governor's Signature	Presented to the Governor 9/30/09
<a href="#">HB 4436</a>	Community Health	Immediate Effect Reconsidered	House and Senate Adopted Conference Report
<a href="#">HB 4437</a>	Corrections	Governor's Signature	Presented to the Governor 9/30/09
<a href="#">HB 4438</a>	Education	Governor's Signature	Presented to the Governor 9/30/09
<a href="#">HB 4441</a>	Higher Education	Immediate Effect Reconsidered	House and Senate Adopted Conference Report
<a href="#">HB 4446</a>	Natural Resources/Environmental Quality	Governor's Signature	Presented to the Governor 10/1/09
<a href="#">HB 4447</a>	School Aid	Ordered Enrolled	House and Senate Adopted Conference Report
<a href="#">HB 4258</a>	FY 2008-09 ARRA Supplemental	P.A. 7 of 2009	Enacted
<a href="#">HB 4309</a>	FY 2008-09 Supplemental	P.A. 24 of 2009	Enacted
<a href="#">HB 4308</a>	FY 2008-09 ARRA Supplemental	P.A. 38 of 2009	Enacted
<a href="#">HB 4582</a>	FY 2008-09 ARRA Supplemental	P.A. 3 of 2009	Enacted
<a href="#">HB 4310</a>	FY 2008-09 Supplemental	P.A. 64 of 2009	Enacted
<a href="#">HB 4311</a>	FY 2008-09 Supplemental	Senate Appropriations	Passed the House
<a href="#">HB 4721</a>	FY 2008-09 School Aid Supplemental	P.A. 73 of 2009	Enacted
<a href="#">HB 5403</a>	FY 2008-09 Supplemental	Senate Subcommittee	Passed the House
<a href="#">SB 237</a>	Agriculture	Governor's Signature	Presented to the Governor 9/30/09
<a href="#">SB 243</a>	Energy, Labor & Economic Growth	Immediate Effect Reconsidered	Senate and House Adopted Conference Report
<a href="#">SB 245</a>	General Government	Immediate Effect Reconsidered	Senate and House Adopted Conference Report
<a href="#">SB 248</a>	Human Services	Immediate Effect Reconsidered	Senate and House Adopted Conference Report
<a href="#">SB 249</a>	Judiciary	Governor's Signature	Presented to the Governor 9/30/09
<a href="#">SB 250</a>	Military & Veterans Affairs	Governor's Signature	Presented to the Governor 9/30/09
<a href="#">SB 253</a>	State Police	Immediate Effect Reconsidered	Senate and House Adopted Conference Report
<a href="#">SB 254</a>	Transportation	Governor's Signature	Presented to the Governor 9/30/09
<a href="#">SB 322</a>	FY 2008-09 Capital Outlay	P.A. 23 of 2009	Enacted
<a href="#">SB 334</a>	FY 2008-09 Supplemental	P.A. 79 of 2009	Enacted
<a href="#">SB 95</a>	FY 2008-09 ARRA Supplemental	Senate Concurrence	Passed the Senate and House
<a href="#">SB 831</a>	FY 2009-10 Interim Budget	P.A. 104 of 2009	Enacted

### **C. Tax Increases**

Despite the Legislature having passed budgets for every state department for FY 2010, the Michigan House last week (October 5 – 9) passed three bills to supplement state spending this fiscal year. Specifically, the House passed

- **House Bill 5386** – The measure would impose a 3 percent tax on physicians to raise a projected \$53 million for the state general fund.
- **House Bill 5352** – The measure would freeze the personal exemption amount for Michigan income tax filers at last year's level of \$3,500 to save the state an estimated \$55 million.
- **House Bill 5384** – The measure would cut certain Michigan Business Tax (MBT) expenditures by as much as 15 percent to save and/or generate \$116 million for Michigan.

In all, those three bills would save and/or generate \$224 million for the state's general fund, although it is uncertain whether the Senate will take up the measures.

Lawmakers also are considering at least three other ideas to raise supplemental revenue for the FY 2010 budget. They reportedly would generate as much as \$175 million more for state coffers by:

- Limit growth in the Earned Income Tax Credit.
- Selling specialty licenses to restaurant and bar owners that authorize them to sell alcoholic beverages until 4 a.m. instead of 2 a.m.
- Changing how Other Tobacco Products are taxed.

### **D. School Aid Budget (House Bill 4447)**

Lawmakers passed House Bill 4447 on Thursday, October 8, 2009. The School Aid budget bill, it prescribes nearly \$13 billion in spending for Michigan's more than 500 public school districts. A compromise on the budget calls for the state to reduce per-pupil spending to K-12 schools by \$165 instead of the originally proposed \$218.

Feel free to contact your GCSI associates for additional information on any of the above.