



Friday, July 24, 2009

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Budget News

Granholtm Asks For More Cuts, Loophole Closings

Gov. Jennifer Granholm asked her directors in a private memo Tuesday to draft yet another budget-cutting proposal that slices another two percent from each department in a move to balance next year's spending plan, which is \$1.7 billion in deficit.

The extra two percent is on top of the eight percent Granholm asked the directors to find about a month ago and comes as the Democratic-controlled House, the Republican-controlled Senate and the administration continue to work behind closed doors to craft a consensus plan.

The Governor made it clear in remarks to the media that she's not willing to do two things to balance the Fiscal Year 2010 budget. For one, she will not eliminate the Michigan Promise Grant scholarships, a program that rewards college students every year for keeping their grades up.

Also, she's shying away from further cuts to revenue sharing payments to municipalities, saying such a move means fewer police officers and firefighters on local streets.

Sources claim the Governor is eyeing between \$500 and \$700 million in so-called "loophole closings" or tax expenditures, but such things as the sales tax exemption on food and medicine are not on the table, she said. Rather, she's looking at tax breaks given to particular industries that may no longer be necessary.

In total, Granholm said she's eyeing cuts, new revenue (but not a general tax increase) and federal stimulus money to balance the '10 budget.

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House Republicans Pop All-Cuts Budget

The minority House Republican Caucus presented Wednesday a budget-balancing plan for next year that relies on \$1.4 billion more in cuts to college scholarships, welfare payments, K-12 education and mental health services.

In the absence of an announced House Democratic plan to balance the '10 budget, House Minority Leader Kevin Elsenheimer (R-Kewadin) showed a detailed, item-by-item plan to make further cuts, while still relying on \$400 million in federal stimulus money to balance the books.

The plan calls for the \$180 million suspension of the planned Earned Income Tax Credit. The biggest line-item cuts were a \$150 million slice to mental health services for non-Medicaid recipients, the elimination of most state financial aid (\$92.7 million), the welfare payment cut (\$70.8 million) and a cut to the daycare provider rate (\$45.4 million).

The General Fund payments to the 21st Century Job program would go (\$53 million), Medicaid co-pay would increase (\$20 million) and funding for the No Worker Left behind program would be cut \$10 million under the House Republican plan.

Week Ahead

- House Majority Floor Leader Kathy Angerer will meet with staff Tuesday to determine what the House session schedule will look like for the remainder of the summer. The Senate held a no-action, perfunctory session day this past week and doesn't plan to meet again until Aug. 5.

In the meantime, negotiations on the Fiscal Year (FY) 2010 budget are expected to continue with the Governor's Office, Senate Republicans and House Democrats. The administration prefers that all sides agree first to the amount of cuts, new revenue and stimulus money they can all tolerate before diving into details. Senate Majority Leader Mike Bishop has demanded to see the Governor's and House Democrats' overall budget balancing plan before proceeding.

- Rep. Kate Ebli (D-Frenchtown Twp.), the chair of the House Tax Policy Committee, is continuing her series of hearings on the state's tax structure this week by taking testimony Wednesday morning from the Center for Michigan and the Michigan Association of Counties.

The House Appropriations Committee also is scheduled to meet to discuss a pair of legislative transfers and a supplemental spending bill for 2009 for the Department of Human Services and the Department of Natural Resources.

Michigan Factoid:

Founded in 1928, the Metamora Hunt in the 4,181 resident village of the same name continues the tradition of fox hunting. Hounds and riders go out twice a week in the fall and winter to hunt fox and coyote.

Source: *American Profile*

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