



Friday, October 9, 2009

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Senate Majority Leader Mike Bishop (R-Rochester) spoke briefly with reporters, including GCSIntel, early Friday morning after an all-night Thursday session produced a full-year budget for K-12 schools that cut spending on public schools by \$165 per pupil.

Originally, the Senate had passed a K-12 budget that cut spending on public schools by roughly 3 percent, or \$218 per student. The Michigan Education Association, among other educational special interest groups, lobbied the Legislature to mitigate the cut by using more, if not all, of the \$180 million in federal stimulus money the Senate had been keeping in reserve for the Fiscal Year 2011 budget.

In the end, Bishop and the Republican majority in the Senate agreed to a cut that was \$100 million less to schools in exchange for a freeze at 10 percent in the next stage of the previously planned Earned Income Tax Credit, a savings of \$160 million

Michigan's most-generous-in-the-country film credits were capped at \$1 million per person and the incentive was cut from 42 to 39 percent in core cities and from 40 to 37 in non-core cities. This saved around \$50 million.

These bills, including a \$10 million lowering of the brownfield credit, a \$24 million tax amnesty program and an 18-month residence requirement for EITC was enough money to cover the cost of the first year of a three-year phase out of the Michigan Business Tax (MBT) surcharge, a major win for Republicans and the business community if they can pull it off

The following are excerpts from Bishop's chat with the media.

Centerpiece

Q. Yesterday you were still saying that you were very cool to the idea of revenue. What has changed in 24 hours?

A. If it was just revenue for the sake of filling holes in the budgets, I'm not for that. But if we can deliver reform in the form of a net cut to businesses that has the impact of creating jobs in this state, that's what I'm supposed to be doing. That's what we're here for.

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This is the first opportunity that we've had to put an option on the table that is not just a band-aid approach to some real structural problems in this state. This is something we worked very hard on with the business community. We put together a plan I think they're very happy with, and that they've indicated will give them a better opportunity to compete. That's what we're looking for – jobs in this state.

Q. But, ultimately, this will help with the budget, will it not?

A. Ultimately, this is a net tax cut. We benefited the K-12 budget today by reducing the per-pupil cut from \$218 to \$165.

Q. The only reason you conceded to lowering that cut was to get these tax reforms here?

A. Absolutely. I'm not here for the sake of raising revenue to fill holes. I'm here to create a real synergy in this state. We, as a government, have to have a vision for the future and stop this practice of addressing issues as they come up. We have to be proactive about solutions on the table that represent long-term solutions rather than what we've done in the past.

Q. Is there going to be any discussions about looking at the revenues the House sent over?

A. We have no appetite for tax increases right now. We're prepared to stand firm in that position. We passed a balanced budget without the need of tax increases. We are now done with our budgets and we have proven that you can balance the budget without a tax increase.

We stand on that. Our members are firm in their position that we don't need new tax increases.

Q. What are you going to do with those six budget bills that you are holding in the Senate through a procedural motion? When are you going to send them to the Governor?

A. I will sit down with the Governor and talk to her about her concerns. I've already asked her to read the bills and she's done that. I want to know what her concerns are because when we finished with our budgets, she talked about wholesale vetoes and I want to get to the bottom of her concerns before we move forward.

GCSEye On The Capitol

K-12 Budget Deal Advances

It was eight-days after the deadline, but late last night the House and Senate moved a Fiscal Year 2010 budget for the state's K-12 public school system. The budget still cut per pupil funding by \$165 but represents a cut that is \$53-per-pupil less than what the Senate GOP originally proposed.

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In total, the budget, HB 4447, provides \$12.87 billion and was reached by the GOP Senate proposing revenue increases without tax hikes. The budget arrangement also didn't include the use of federal stimulus funds.

The package essentially includes the following tax law changes:

- Freezing of the pending Earned Income Tax Credit
- Capping of film credits
- Three year phase out of the Michigan Business Tax surcharge.

Granholtz Merges DNR, DEQ

Gov. Jennifer Granholm issued an executive order Thursday combining the Department of Natural Resources (DNR) and the Department of Environmental Quality (DEQ) into a new agency - the Department of Natural Resources and Environment (DNRE).

The Department of Agriculture (MDA) was left out of the combination, even though the administration had considered adding the agency to the mix, too. As part of Executive Order 2009-45, however, the MDA director will be appointed by the governor, as opposed to the Michigan Agriculture Commission.

Likewise, the new DNRE director will be a gubernatorial appointment. Currently, the DNR director is selected by the Natural Resources Commission.

The change will officially take effect on Jan. 17, 2010, and the transition will be overseen by former Marshall Mayor Bruce Rasher, a former 32-year veteran of Consumers Energy.

HFA: Revenues Down \$130M

State revenue numbers through September show the state's General Fund and state School Aid Fund each taking in \$65 million less than projected in May, meaning the state coffers are a combined \$130 million lighter than believed, according to the House Fiscal Agency (HFA).

Compared to last September, the state is taking in less tax money in nearly every category. Income tax collections are down 22.6 percent. Sales tax revenue is down 13.3 percent. When combined with the use tax, revenue is down 15.3 percent. Business tax revenue is down 40.6 percent.

Combining all of the tax revenue, the state's take this September is 14 percent lower than last September and 11.9 percent down from the previous fiscal year to date.

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The Week Ahead

While the K-12 budget enactment this week was a big step, the state is still a long way from having a completed Fiscal Year 2010 budget in place in time for the new budget deadline of Sat., Oct. 31.

Look for more work on budgets and taxes in the coming week.

Michigan Factoid:

Grand Rapids is home to the 24-foot Leonardo da Vinci horse, called Il Galvallo. It is the largest equestrian bronze sculpture in the Western Hemisphere.

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