



Capitol Corner
A Legislative Update
From ECIC
September 7, 2007

Budget Discussions Stall as Potential Deal Falls Apart

As activity increased and anticipation built at the Capitol this week, a potential budget deal seemed imminent, but by the end of Thursday any chance that the parties would come to agreement faded as daylight became nightfall. The Governor, Speaker Dillon and Majority Leader Bishop all sat down this week to work out a potential budget deal before the new fiscal year begins on October 1, 2007.

Finding new revenues, the source and amount, has been the major stumbling block in resolving the budget impasse. Senate Majority Leader Bishop has suggested raising the sales tax by 1%, from 6% to 7%, as a potential revenue source. This would have to be approved by the voters, and could be placed on the ballot with a 2/3 vote by each chamber. The hope was that if the Senate and House both acted this week then the ballot question could be placed on the November 6, 2007.

To balance the budget, the state income tax would be raised temporarily and the voters would then be asked to either accept the income tax increase or instead approve the sales tax increase and the income tax would be rolled back to its current level. The deal apparently fell through when neither chamber wanted to be the first to vote on a tax increase. The Speaker had offered to vote on the sales tax increase, if Bishop would agree to send to other bills to conference committee where they would be rewritten to increase the income tax and put a sales tax on some services. When Bishop failed to agree, the deal fall apart.

The Capitol was the scene of much activity on Thursday. The Governor was in meetings with House and Senate Leadership. The Lt. Governor was in meetings, even pulling House Appropriations Committee Chair Representative George Cushingberry out of the Appropriations Meeting and into a private chat. Thursday evening, the Governor was on the House Floor lobbying Republicans, and at one time the entire Senate walked over, en masse, to the House chambers. They and the Governor were eventually shooed off the House Floor, when the Sergeants-At-Arms were requested to remove all visitors.

While the deal did not materialize this week, Speaker Dillon left open the possibility for it to be reassembled next week. The twist would be that the potential ballot proposal to increase the sales tax would appear on the January 15, 2008 ballot, when Michigan's Presidential Primary election is scheduled. The Legislature had to vote this week, if it wished to place the ballot question on the November 5, 2007 election.

House and Senate Zero Out Each Others Budgets and Sent Them to Conference Committees

Both the Senate and House voted to zero out each others budget bills and send them to conference committees where the final budgets will be hammered out once a final revenue deal is agreed upon. Conference Committees are made up of three members from each chamber, with the majority party getting two members and the minority party getting one member. While unusual, zeroing out each other's budgets is the fastest way to get the bills to conference.