



Capitol Corner

An ECIC Legislative Update

November 2, 2007

Budget Deal Done!

It took until 4 am on Wednesday, October 31, 2007 but the Legislature passed all the necessary bills to complete the budget. The Governor worked up to 11:59 pm to sign as many of the bills as she could to keep government operating before the 31-day budget extension expired. The seventeen appropriation bills contained the necessary \$433 million cuts in general fund spending.

The total state budget for Fiscal Year 2007-2008 (FY '08) totals \$42.8 billion, including \$9.8 billion in general fund.

In describing the budget, Governor Granholm in a noon hour press conference announced that they had "...protected our priorities...public education, health and public safety." Granholm also pointed out that no one was kicked off Medicaid.

Most of the cuts were in reductions to the increases sort for education and higher education and \$66 million cuts to the Corrections budget. Universities and Community Colleges received the money that had been delayed to them earlier this year plus a one-percent increase. Public schools saw a \$48-\$96 per pupil increase, which averaged out to a one-percent increase.

The Department of Human Services, whose budget held up the final deal, ended up with a \$45 million net increase adding 190 jobs. The logjam was broken when the Department agreed to close 80 medium security beds at Maxey Boys' Training School and allow 130 employees to transfer to other DHS positions. As the beds are closed at Maxey Boys' Training School, private agencies will take over these cases; look for the private agencies to do more in providing human services support in the future.

Early Childhood Funding

The School Aid Fund budget bill has not been signed by the Governor but as passed by the legislature the bill does contain increased funding for early childhood.

The budget bill appropriates increased funding of \$750,000 for local Great Start Collaboratives for a total \$1.75 million. This funding will ensure the continuation of 21 existing Great Start Collaboratives across the state and provides for the opportunity to bring in additional communities. Great Start Collaboratives are funded by ECIC through a competitive grant process.

Michigan's 0-3 Secondary Prevention Early Childhood Grants will also receive a funding increase by \$375,000 for interagency early childhood grants for a total in the School Aid Fund of \$2.125 million. 0-3 Secondary Prevention is a state-sponsored, collaborative, community-based initiative aimed at developing an integrated system of services for Michigan families with children ages zero to three who are at risk of child abuse and neglect.

School Readiness Program – District Grants; increase funding by \$2.4 million for a total of \$80.9 million. The additional funding increases the per-child allocation from \$3,300 to \$3,400. there is new boilerplate language that would cap the funding spent under this section for Parents Involved in Education (PIE) programs at the level spent by each district in FY 2006-07 or consecutive fiscal years.

School Readiness Program – Competitive Grants: Increase funding by \$400,000 for a total of \$12.65 million, to fund an increase in the per-child allocation from \$3,300 to \$3,400.

The budget bill contains important boilerplate language that includes intent language that if additional revenue is recognized at the January 2008 consensus revenue estimating conference, the following appropriations would be allocated first; \$2.3 million to the School Readiness program – district Grants; **\$750,000 to the Great Start Communities (ECIC) Grants**; \$400,000 to the School Readiness Program – Competitive Grants; and, \$325,000 to the 0-3 Secondary Prevention Early Childhood Grants.

The overall School Aid Fund/K-12 budget shows a 1 percent increase to state payments to school districts, as agreed to in the overall budget deal reached at the end of September. In the \$13 billion budget, the school aid foundation grant minimum was increased by \$96 per pupil, from \$7,108 to \$7,204 per pupil. All but 51 public school districts will see this \$96 per pupil increase, the 51 that don't will see a \$48 per pupil increase. These 51 districts are known as the "20j" school districts, these are the school districts that are above the base payment and receive a supplemental payment out of the "20j" line item.

New Service Tax Delayed or Repealed?

On Thursday, the Senate passed SB 845, a bill to delay the start of the new six percent service tax for 20 days, moving the start date from December 1 to December 20. The rationale given was to give the legislature more time to discuss an alternative. The new service tax is estimated to raise \$613 million and was part of the budget deal. The Governor has said that she is willing to look at a replacement but that it has to be revenue-neutral.

The House Tax Policy Committee held hearings this week on the new service tax and it appears the House may be willing to discuss repealing the new tax.

The Michigan Manufacturer's Association gave testimony that they thought the best alternative, due to time and lack of viable options, was to modify the new Michigan Business Tax by adding a temporary surcharge. According to the MMA testimony, the Governor was opposed to the temporariness of the surcharge but is otherwise willing to discuss this idea.

SCHIP Update

In Washington, D.C. the U.S. Senate passed a slightly revised version of the State Children's Health Insurance Program (SCHIP) by a vote of 64-30. The legislation was passed by the House the previous week. President Bush was quick to say that it would be vetoed again. Congress is still short of the needed votes to override the threatened veto.

The legislation, if passed, would continue to provide health care insurance to 6.6 million children and expand the coverage to an additional 4 million children. This expansion would cost \$35 billion and would be paid for by increasing the federal tobacco tax from \$0.61 to \$1 a pack.

Congressional leaders still believe that there will be a compromise at some point, though when and what are still elusive.