



Capitol Corner
An ECIC Legislative Update
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Governor Signs School Aid Budget Bill

On Thursday, November 8, 2007, the Governor signed the School Aid Budget bill, House Bill 4359 (now Public Act 137 of 2007), for fiscal year 2008. 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; these 51 districts will see a \$48 per pupil increase.

The bill as signed by the Governor includes 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.

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) was increased 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) was also increased 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.

Service Tax Dead Before Arrival

On Wednesday the Senate passed a bill, SB 838, to repeal the new service tax on a mostly party line vote of 23 to 15. Opposition to the bill centered on the fact that the legislation repeals the tax but does not replace the revenue which would create a huge hole in the just completed state budget. The new service tax is estimated to raise \$613 million and was part of the budget deal.

The next day, the House passed HB 5408, a bill to repeal the service tax and replace it with a new surcharge to the Michigan Business Tax. The bill was approved by an almost straight party line vote, 58 to 48, with two Republicans joining the majority.

The new surcharge would be a 32.9 percent for the first year and then drop to 23.7 percent after 2008. There would be a cap of \$2 million for any one company under the surcharge, there is a lower rate for banks, and the surcharge does not apply to insurance companies.

The business community is split on the House bill; it is favored by the larger manufacturing companies and opposed by the smaller businesses.

The legislature has until December 1, 2007 to find a mutually agreeable solution before the new service tax is scheduled to go into effect.

The Governor has said that she is willing to look at a replacement for the service tax as long as the replacement is revenue-neutral.

Michigan Presidential Primary May be Off

The Michigan Presidential Primary was held to be unconstitutional by an Ingham County Judge, this week, due to the fact that the voter data from the election was to be given only to the Republican and Democratic Parties. The Primary could be back on if the legislature addressed the issues raised by the Judge through legislation. The other avenue is for the state to appeal the Judge's ruling.

The Senate tried to make the needed corrections when it passed two bills, HB 4506 and HB 4507, but the bills were denied "immediate effect" which would not allow the changes in the bills to go into effect until well passed January 15, 2008, the date of the primary. Senate Democrats refused to vote for immediate effect so that they could negotiate other election reform items that they have been trying to pass for several years.

It is unclear if the House will even address this issue. Speaker Andy Dillon (D-Redford Township) stated that he did not see the need for the state to spend \$10 million on the primary when the majority of Democratic candidates are not participating, thus the state would be paying for a one-party primary.