

March 23, 2007

In the first late night session of 2007, the majority of Senators approved large budget cuts and defeated the 2 percent sales tax proposal of Governor Jennifer Granholm's tax plan - killing the measure in the Senate. The Senate Republicans formulated a plan to cut more than \$500 million in the budget without raising taxes.

The Senate Republican budget plan included the following cuts contained in Senate Bills 220-221:

- 9.9 percent reduction to revenue sharing,
- Conversion of the \$40 million remaining in the 21<sup>st</sup> Century Jobs Fund to the general fund,
- \$57.4 million reduction in K-12 student per pupil allowances by \$34 per student,
- Changes in the valuation of assets and interest to the Public School Employees Retirement System totaling \$262 million,
- Lottery advertising cut by \$10 million, that \$10 million was then shifted to the School Aid Fund,
- \$63 million in cuts to the Department of Community Health, designated below:
  - \$10.9 million cut in adult home health care
  - 2 percent wage increase for community mental health workers
  - \$14.2 million cut to eliminate the Healthy Michigan Fund
  - \$6.4 million in cost savings that could include co-pays, increased deductibles and premiums
  - Medicaid providers cut by \$7 million
  - \$21 million cut for non-Medicaid assistance to the Detroit Wayne County Community Mental Health program
- \$35 million in cuts to the Department of Human Services, designated below:
  - \$11.8 million cut to day care services
  - \$5.4 million to anticipated caseload funding cuts
  - \$5 million cut to child care funds
  - \$4.6 million savings by moving foster care placement to private providers
- 2 percent cut to local bus operating subsidies
- 22.8 percent cut to intercity passenger and freight programs
- \$7.2 million bus capital grants to local authorities eliminated
- 25.7 percent cut to the grant programs that help public assistance recipients get jobs
- \$3.8 million cut to community corrections programs

Before Senators tackled the budget issues in session, Governor Granholm released her second budget balancing executive order (E.O.) of 2007. Budget Director Bob Emerson told the Senate Appropriations Committee that the new executive order is very similar to the Governor's first E.O. The proposal totaled \$344 million in cuts, but the actual cuts included totaled about \$180 million, with the rest being reductions coming in delayed payments and adjustments to retirements.

One of the biggest changes to the Executive Order is that community colleges will take partially delayed payments at the end of the fiscal year, similar to the four year colleges. The Senate Appropriations Committee approved the E.O., while the House Appropriations Committee Chairman, Representative George Cushingberry (D-Detroit), refused to act on the proposal Thursday.

The House of Representatives adjourned earlier in the afternoon and will return Tuesday with a full plate of budget issues to sort out.