

October 26, 2007

BUDGET UPDATE

As the Thursday, November 1 deadline approaches there is still no finalization to the \$435 million in budget cuts required to balance the Fiscal Year 2008 budget. The Senate has adjourned until Monday and the House may also adjourn sometime today.

According to several officials most of the budgets have been resolved. One remaining big item is whether the Department of Human Services should expand its privatization efforts. Issues there involve oversight of foster care and juvenile justice programs that would be privatized. Another major item is the funding structure for the state's 15 public universities. The budgets for the departments of Natural Resources and Environmental Quality appear to be progressing, with the issue of fee increases apparently close to being settled.

It is anticipated that voting on the various conference committee reports may begin in both Houses on Monday. Senate Majority Leader Mike Bishop stated that he is optimistic that the budget agreements will be completed by next Tuesday, October 30, a day ahead of the deadline for the continuation budget to expire.

SERVICE TAX ISSUE STILL RAGES

Business groups are holding meetings with state leaders as to possible options to repeal the new tax on services set to take effect December 1. The number one choice of the group is to repeal the cut and cut the budget accordingly but clearly the Governor would not accept this solution.

Other options that have been discussed include:

- Expand the base of the new Michigan Business Tax (MBT) to include more payers
- Increase the income tax
- Increase the sales tax

While most business groups would prefer the state increase the income tax again, it appears as though legislators would be unlikely to go back to that tax. Business groups are also hesitant to disturb the MBT not knowing what else might occur as a result. Clearly there is no unanimity among the various groups over the taxes. Whatever comes that may be adopted, there is little time to act. If for example, a sales tax proposal were to go on the ballot on January 15 it would have to be passed by two-thirds of each House before mid-November.