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STATE UPDATE

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The Legislature is finally getting back into swing as both the House and Senate have begun holding Appropriations Subcommittee hearings on Governor Granholm's fiscal year 2011 budget proposal. The Governor presented her spending proposal for the 2011 fiscal year to the Legislature back on February 11th and with the exception of the Child Care Enhancement Program (CCEP) and a caseload adjustment to the Child Day Care Program the plan preserved funding for early childhood programs at current year levels. The Governor's plan is predicated on the passage of a number of extremely controversial measures including, but not limited to; an expansion of the sales tax to services, a physician tax, and an early-out retirement plan. All three of these as well as other provisions contained in the Governor's proposal have received a chilly reception thus far from the Legislature.

Although the dynamic of Governor Granholm's budget proposal not being popular with the Legislature is all too familiar, a couple of clear differences from last year are emerging. First, the process appears to be moving much quicker this year. The Governor has insisted that the Legislature present their budget proposal to her by July 1st and the leadership in both chambers expressed a desire to begin moving budget bills quickly. Whether or not this means the Legislature will ultimately be able to agree remains to be seen, but at least at this point they are off to a quicker start. The second major difference emerging is the focus on reforms. House Democrats, Senate Republicans, and Governor Granholm have all proposed significant reforms as a method of dealing with the budget deficit. Last year there was very little serious discussion about reforms and the focus of those who were opposed to raising revenues as a solution to the deficit was program level cuts. If major reforms are able to be agreed upon by the Legislature and the Governor it could greatly mitigate the necessity for additional significant program level cuts to balance the \$1.5 billion shortfall.



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Finally, a showdown appears to be developing over the School Aid budget as the Governor has repeatedly, unequivocally stated that she will veto any School Aid budget that cuts funding for public education. It will be extremely difficult to not cut funding for public education without raising revenue, and the Legislature has shown no willingness to do that.



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