



THE EARLY CHILDHOOD INVESTMENT CORPORATION

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STATE UPDATE

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There was very little formal activity in Lansing this week as the budget negotiations are starting to heat up. The budget problem facing legislators and the Governor actually got much worse late Thursday evening as the United States Senate failed to pass the “Jobs Bill” which contained about \$500 million of Federal Medical Assistance Percentage (FMAP) money for Michigan. All of the fiscal year 2011 budget bills passed by both chambers of the Legislature as well as the Governor’s fiscal year 2011 budget proposal have anticipated the FMAP funding being available. The May Revenue Estimating Conference had already produced mixed results in terms of the budget projections for the rest of this year and 2011. The consensus reached was that School Aid Fund revenues are up about \$350 million from earlier predictions as sales tax collections are increasing. General Fund revenues, however, are down about \$300 million from earlier projections as returns collected from the Michigan Business Tax are coming in lower than originally projected.

The big debate shaping up in Lansing is centered around whether the “surplus” School Aid funds should be used to cover the shortfall in the General Fund. Some lawmakers, primarily Senate Republicans, are arguing the “surplus” School Aid funds should be used to fund Community Colleges and Universities and subsequently the General Fund money that would have been used to fund these entities can cover the



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shortfall. Governor Granholm has indicated she is agreeable to using School Aid monies to fund Higher Education. Speaker Dillon and the House Democrats, however, have stated their opposition to using School Aid funds to balance the General Fund deficit and would rather securitize some of the tobacco settlement dollars the state receives.

With a fiscal year 2010 and 2011 combined General Fund deficit of over \$800 million, it is highly unlikely the Legislature will meet the Governor's requested deadline of July 1st to complete their work on the 2011 General Fund budgets. The Legislature will, however, make every effort to reach agreement on a 2011 School Aid budget next week before they break for the Fourth of July holiday. With the additional monies available in the School Aid Fund, lawmakers have an opportunity to restore some of the devastating cuts to critical early childhood programs that were made last year. Please contact your legislators and urge them to do so.

Also, please remember that July 6th is the last day to register to vote in order to be eligible to participate in the August 3rd Primary elections. This election season will shape the future of Michigan's government and it is critical that we make early childhood issues a part of the political discussions. If you are not already registered to vote, please do so and also please encourage any other potential supporters of early childhood investments to register as well.



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