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STATE UPDATE

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Legislative activity was extremely light this week. House and Senate Appropriations Subcommittee continued their hearings on Governor Granholm's fiscal year 2011 budget proposal, but no action was taken on any of the bills. The first signs of trouble emerged in the Senate as a vote to cancel a negotiated 3% raise for unionized state employees failed to achieve the two thirds needed to halt the raise. The raise is set to take effect October 1st and will cost the state \$48 million next fiscal year. The measure to rescind the raise needs to be passed by a two thirds majority in both the House and Senate by April 10th. The resolution will likely be revisited sometime soon by the Senate, but even if it receives the support of two thirds of the members, it will face an even tougher battle in the House. Halting the raise and saving the \$48 million will not do much to solve the state's \$1.6 billion deficit. If the Legislature has any chance of reaching an agreement on how to balance the fiscal year 2011 budget, compromises much more challenging than this will have to be agreed upon.

In what can only be described as incredibly disappointing news, Michigan was not named as one of the sixteen finalists for the first round of "Race To The Top" funds. The Legislature passed and Governor Granholm signed significant educational reform legislation late last year in an effort to give the Michigan Department of Education the best possible chance of putting together a successful application to the massive federal grant program. With Michigan not named amongst the group of finalists announced on Thursday, the "blame game" has already begun as all of the parties involved in the process are pointing fingers at others as the reason Michigan was not successful. The state will receive detailed scoring information regarding its application in early April and a second round of funding is expected later this year, so watch for the debate over educational reforms and "Race to the Top" to continue.

Finally, the race for the Democratic gubernatorial nomination is starting to take shape. The Republican field has been established for months as the five major candidates; Rick Snyder, Attorney General Mike Cox, U.S. Rep. Pete



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Hoekstra, Oakland County Sherriff Mike Bouchard, and State Senator Tom George have been campaigning diligently. With Speaker of the House Andy Dillon officially joining the Democratic race and former Genesee County Treasurer Dan Kildee officially dropping out of the race, the Democratic field now appears set as Speaker Dillon, Lansing Mayor Virg Bernero and State Rep. Alma Wheeler Smith have all officially began their campaigns and it is unlikely any other Democratic candidates will emerge. The last remaining uncertainty in the gubernatorial election is whether former U.S. Rep. Joe Schwarz will enter the race as an independent. Schwarz is considering an independent bid and will likely announce his intentions within the next two weeks.



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