



Michigan League FOR Human Services

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Budget déjà vu: Another continuation budget

October 1 has come and gone and Michigan is still without a state budget for fiscal year 2010. For the second time in three years, state government was shut down briefly as legislators wrestled with adopting a budget just after midnight on the first day of the new fiscal year. The House and Senate failed to pass all of the necessary budget bills and instead adopted a one-month continuation budget. The temporary budget pro-rates proposed \$1 billion in cuts. It does not require immediate cuts, however, because the act states that expenditures are based on fiscal year 2009 program levels.

A continuation budget was not adopted for the K-12 budget because of disagreement over whether that budget should also contain cuts. School aid payments are made on October 20 and an agreement on the temporary budget must be in place by October 10 to allow for processing time for the checks to school districts. In addition, the fiscal year 2010 K-12 budget was the only budget not to be passed by both houses. That budget has been sent back to a conference committee to resolve the

differences that exist between the House and the Senate. The original conference committee report included a \$218 per pupil cut, a 2.9 percent cut, totaling about \$348 million.

All of the remaining state budget bills were passed by both the House and Senate. The bills include about \$1 billion in cuts and use federal stimulus dollars to help fill holes. Although these budget bills have been passed by both houses, the Senate is holding six of the most controversial bills, keeping them from going to Gov. Jennifer Granholm.

The bills include the Department of Community Health budget, which has cuts to Medicaid providers and deep cuts to prevention and mental health programs. Also included is the Department of Human Services budget, with deep cuts to field staff. The General Government budget, which contains an 11 percent cut to local government revenue sharing, is among those being held. The Senate is also holding budget bills for the Department of Energy, Labor and Economic Growth; Higher Education and State Police.

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Once the governor receives a budget bill, she has 14 days to veto, line-item veto or sign the bill. The governor has indicated that she will use her veto power, but she has not specifically identified which items or budgets might be vetoed. However, she has expressed the need to identify revenues to address cuts to the Promise Grants college scholarship program, to school aid, to local government revenue sharing and to Medicaid. Earlier in the budget process, the governor proposed a list of possible revenue sources, totaling about \$600 million. The list included extending the sales tax to some entertainment and sporting events, taxing bottled water, increasing the tobacco tax and closing some tax loopholes.

In an effort to restore some of the cuts in the budget bills that are pending, the House

passed a supplemental appropriations bill. About \$400 million in cuts would be restored with the additional appropriations. However, the bill does not identify a funding mechanism for the supplemental. It is now pending in the Senate.

Leadership in the House is expected to put forth revenue proposals during the time of the continuation budget, as final budgets are being resolved. While the proposals are likely to address pending budget cuts, there is also the potential that they could address the broader structural deficit. With all but one of the budget bills passed, proposed revenue enhancements could dominate the debate leading up to the next deadline when the continuation budget ends on October 31.