



SPECIAL REPORT | January 17, 2011

\$1.8 Billion Deficit Projected at Consensus Revenue Estimating Conference

As expected, the fiscal projections are bleak for the 2011-12 fiscal year beginning October 1, 2011. At the Consensus Revenue Estimating Conference last Friday, it was announced that the estimated budget shortfall is \$1.8 billion for the next fiscal year. The Consensus Revenue Estimating Conference projections are developed by the State Treasurer, the Senate Fiscal Agency Director and the House Fiscal Agency Director.

The state budget appears to be in relatively good shape for the current fiscal year. Thus, immediate budget cuts may not be necessary. The huge deficit for the next fiscal year results in large part from the discontinuation of the federal stimulus money. Another complicating factor is that the state's income tax rate is scheduled to drop from 4.35 percent to 4.25 percent, which could lower state revenue by more than \$160 million.

Of course, the budget deficit for the 2011-12 fiscal year could worsen even further depending upon what tax changes are implemented by the Governor and the Michigan Legislature. Legislation has already been introduced to repeal the 22 percent surcharge on the Michigan Business Tax (MBT). The Governor has stated his view that the MBT should be replaced with a 6 percent flat tax on larger corporations. Small businesses would be exempt.

Republican legislators have publicly discussed several potential spending reductions. They include wage and benefit cuts for public employees and elimination of the Michigan Earned Income Tax Credit (EITC) for low-income families. Eligible families currently receive Michigan and federal EITCs. The Michigan EITC totals \$338 million.

Budget Process Expected to Move Rapidly

Key Republican legislators have vowed to finish next year's state budget by June 1. Governor Rick Snyder is also supportive of an expedited time frame for concluding the budget process.

Part of the budget deliberations will be to decide whether a two-year budget should be developed. It has yet to be determined whether an official two-year budget is permissible. If not, budget planning will likely still occur for the two-year period.

House and Senate Finalize Committee Assignments

The committee assignment lists have been released in the House and Senate. [Download the lists of the members](#) of the Appropriations Subcommittees on Community Health in the House and Senate.

MALA, in collaboration with its government relations firm Kelley Cawthorne, is meeting with these Subcommittee members in advance of the appropriations hearings. All of us recognize the

enormous financial challenges facing the state of Michigan. Notwithstanding these challenges, we are reinforcing strongly with these legislators that residential and vocational services providers continue to endure severe financial strains which adversely impact services to persons with disabilities. We are also communicating clearly the staff recruitment and retention challenges that providers are confronting.

Governor to Deliver State of the State Address on January 19

The Governor will be delivering his State of the State Address this Wednesday evening. His 2011-12 budget recommendations will follow soon thereafter. The appropriations hearings will also be on a fast track. It is possible that the hearings on the Department of Community Health budget will be held concurrently by the House and Senate. By contrast, in past years, the appropriations hearings would begin in the House or Senate, and the other chamber would not begin hearings until the budget process had been completed in the first chamber.

We Need Your Help

We are calling upon you to be actively involved in the appropriations process this year. All indications are that the budget process will be extremely challenging. MALA is committed to working relentlessly on your behalf during the appropriations process by testifying at the hearings and communicating with elected officials in individual meetings. We urge you to engage in your own grassroots advocacy efforts with state legislators. We will notify you as budget proposals are announced and appropriations hearings are scheduled.

In the interim, please call or e-mail us if you have any questions, comments or suggestions regarding our legislative advocacy strategy for the upcoming budget process.

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