

**To:** Council About Parochiaid  
**From:** Cara Marie Dobie and Courtney VanCamp  
**Date:** June 17, 2022  
**Re:** Legislative Report

The Michigan Legislature has passed both House and Senate responses to the Governor's budget proposal, and the final negotiations on the FY 2022-23 appropriations bills are expected to take place over the next four to six weeks. The pending Consensus Revenue Estimating Conference is taking place on May 21, and it is expected to show another increase in revenue estimates. Just how large an impact this will have on state spending is yet to be determined, but the new numbers will certainly factor into ongoing budget negotiations. Indeed, it has already sparked new proposals from the Governor and the Legislature on how to spend this surplus.

Legislation making changes to rules for retired MPSERS members who return to work has also seen action in the House and Senate. The bills would remove many of the myriad criteria that MPSERS retirants must meet in order to come back to work in a school setting while continuing to receive pension benefits. More on these and other issues below.

## **State Revenues Projected to Increase Substantially**

Early reports from the pending Consensus Revenue Estimating Conference hint that policy makers will receive more good news about Michigan's fiscal situation. The House Fiscal Agency released projections prior to the conference showing that they estimate an increase in revenues over earlier projections in the current year budget totaling \$2.78 billion. They also predict that revenues in the next fiscal year will exceed previous expectations by \$2.24 billion. These eye-popping predictions have generated multiple proposals on how to spend it, ranging from sweeping tax cuts and one-time tax rebates to major infrastructure projects and debt reduction.

Most recently, the Michigan House and Senate worked to push through a \$2.5 billion tax cut that would absorb the increased revenues. The proposal would include a reduction in the Michigan Income Tax from 4.25% to 4%, a \$500 per child tax credit (reduced to \$250 per child in future years), an \$1,800 increase in the personal exemption, an increase in the Earned Income Tax Credit, and an exemption for senior citizens that would total \$21,800 for a single filer and \$43,600 for joint filers.

As a counterpoint, Governor Whitmer called for a one-time \$500 per tax rebate that would be payable to taxpayers immediately.

Proponents of the Legislature's proposal stated that it would provide long-term relief for Michigan citizens and help address the "pension tax" created by the previous Snyder administration. Supporters of the Governor's plan countered that her's was more responsible by treating potentially one-time revenue with one-time expenses, rather than running the risk of creating future budget deficits as the Legislative plan would. They also noted that the Governor's plan would get money into taxpayers' hands the fastest. This battle will likely become center stage in the ongoing budget negotiations.

### **Legislature Moves Budget Bills Forward Setting Stage for Final Negotiations**

The Michigan House and Michigan Senate have both passed their versions of the 2022-3 appropriations bills, and are maneuvering them into position for final passage. There are some large differences not only between the Legislature's and the Governor's proposals, but even between the House and Senate in some instances. The conventional wisdom in Lansing is that many of these first draft budgets are starting points for negotiations, and they are expected to change markedly before the final agreement is signed.

Some examples of these differences include:

The Michigan Department of Corrections budget, where the House added over \$30 million to provide recruitment and retention bonuses for corrections officers, but also estimated savings of nearly \$60 million based on prisoner population decreases. The Governor and the Senate did not include these changes.

The Governor's proposal for the Department of Health and Human Services budget included \$22 million for two new behavioral health units at Hawthorne Center, and a new satellite facility for the Center for Forensic Psychiatry. The House and Senate did not fund this proposal.

The School Aid Budget saw the House, Senate and Governor have very different ideas on how to use surplus revenues. The Governor proposed several hundred million dollars to recruit and retain school staff by providing bonuses, tuition reimbursement and stipends for student teachers. The Senate instead focused on increasing per pupil funding. The House kept some of the recruitment program ideas the Governor proposed, but axed retention bonuses in favor of making a whopping \$1.7 billion deposit into the MPSERS retirement fund to pay unfunded accrued liabilities.

These are just some of the major items of difference that will be negotiated over the next month as lawmakers hurry to complete the process by July.