



Capitol Services, Inc.
110 W. Michigan Ave., Ste 700. Lansing, MI 48933
517.372.0860 Fax 517.372.0723
www.CapitolServices.org

To: Council About Parochiaid
From: Cara Spagnuolo
Date: March 4, 2011
Re: Legislative Update

The Year Begins

An early State of the State message took place on January 19. For the most part it was a crowd pleaser with its commitment to the wildly successful Pure Michigan campaign and "Pre-K – 20" focus on education. The budget subsequently presented was not so pleasing to many in the crowd, including local units of government, universities, and school districts. Several days in the past month, the Capitol has been thronged with people objecting to fast-moving legislation regarding emergency financial managers and other proposed legislative changes, including some mentioned below.

The Budget

Gov. Rick Snyder presented his budget to the state Legislature on February 17. In it, he outlined his plans to address the upcoming \$1.85 billion deficit for next year. Governor Snyder also presented a plan to restructure taxes in the state. Unfortunately, a significant portion of the tax proposal includes cutting business taxes while shifting much of these taxes to individuals, especially seniors, retirees and the "working poor." As one lawmaker suggested, his proposal contains enough cuts to address the \$1.85 billion deficit, and then brings in additional taxes from Michigan *citizens* in order to eliminate the Michigan *Business Tax*.

The budget includes a number of cuts to public education, including a 15% reduction to the state's colleges and universities. There were no cuts proposed for community colleges, due to their steep reduction in property tax funding.

The K-12 budget bill, which has begun the hearing process on the House side, includes substantial cuts, including \$470 in K-12 per pupil funding (\$452 million), and the elimination of certain categorical spending. On the plus side, "At Risk" funding has no across the board cuts—although the funding for two districts that currently receive it is eliminated. The Great Start Readiness funding—which goes to programs for at risk four year olds—remains at the current level. However, funding for Special Ed ISD Center Programs FICA payments (\$15.3 million),

special education hold harmless ISD payments (\$900,000), positive behavioral support programs (\$300,000), and bilingual education (\$2.8 million) is all eliminated.

Changes to Tax Code

- Replace Business Tax with 6 percent corporate income tax (approximately \$1.5 billion cut to General Fund)
- Only larger corporations pay, not "small businesses"
- Eliminate charitable giving tax deduction/credit for corporations
- Freezing the income tax rate at 4.25 percent after October 1, 2011. Current law would drop the rate to 3.9 percent
- Tax public pensions (\$128.8 million)
- Tax private pensions (\$725 million)
- Change Homestead Property Tax credit to households (\$320 million in additional tax revenue)
- Eliminate the Earned Income Tax Credit for working citizens (\$340 million) - Estimates on the EITC credit elimination show approximately a \$430 tax increase to each eligible working taxpayer
- 1 percent tax on all health insurance claims. Every claim filed by an individual will add a 1 percent cost

Committees of Interest to CAP:

House Education

Paul Scott (R- Grand Blanc), Committee Chair
Thomas B. Hooker (R-Byron Center), Majority Vice-Chair
Hugh D. Crawford (R-Novi)
Tom McMillin (R-Rochester Hills)
Ray A. Franz (R-Onekama)
Kurt Heise (R-Plymouth)
Holly Hughes (R-Montague)
Aric Nesbitt (R-Lawton)
Margaret E. O'Brien (R-Portage)
Amanda Price (R-Holland)
Deb Lynn Shaughnessy (R-Charlotte)
Ken Yonker (R-Caledonia)
Lisa Brown (D-West Bloomfield), Minority Vice-Chair
George T. Darany (D-Dearborn)
Lisa Howze (D-Detroit)
Rudy Hobbs (D-Lathrup Village)

David Rutledge (D-Ypsilanti)
Thomas Stallworth III (D-Detroit)
Douglas A. Geiss (D-Taylor)

House K-12 Appropriations Subcommittee:

Bill Rogers (R-Brighton), Chair
Earl Poleski (R-Jackson) Majority Vice Chair
Jon Bumstead (R-Newaygo)
Phil Potvin (R-Cadillac)
Joan Bauer (D-Lansing), Minority Vice Chair
Brandon Dillon (D-Grand Rapids)

Senate Education

Phil Pavlov (R-St. Clair), Chair
Judy Emmons (R-Sheridan), Vice Chair
Patrick Colbeck (R-Canton)
Hoon-Yung Hopgood (D-Hamburg), Majority Vice Chair
Coleman Young II (D-Detroit)

Senate K-12 Appropriations Subcommittee

Howard Walker (R-Traverse City), Chair
Bruce Caswell (R-Hillsdale), Vice Chair
John Pappageorge (R-Troy)
Hoon-Yung Hopgood (D-Hamburg), Majority Vice Chair