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Michigan budget battle brought out into the open

Governor, GOP, House Dems set to tangle

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LANSING -- Gov. Jennifer Granholm has taken heat for keeping secret her plans to avoid a projected \$2.8-billion deficit in the state budget.

Tuesday, she tipped her hand and showed how far apart she is from Senate Republicans in a budget deal.

Granholm's proposal would raise \$685 million in new revenue and cut \$572 million in spending. She would use \$973 million in federal stimulus money to partially plug the budget hole, and carry \$482 million of the federal money to the spending year that begins Oct. 1, 2010.

Her plan also would phase out an unpopular business tax surcharge over 3 years.

Senate Republicans in June pushed their budget-cutting plan through the Senate -- past protesting Democrats -- without new taxes and with \$1.2 billion in spending cuts (\$300 million of the cuts ordered by Granholm this fiscal year and carried over into next).

The big tax hits proposed by Granholm: \$89 million from tickets for concerts and professional and college sporting events (from a 6% ticket tax); \$21 million from vending machine sales; \$55 million by freezing personal exemptions on income taxes, and \$83 million by reducing the state earned-income tax credit for low-income families.

The higher tax on non-cigarette tobacco would generate \$45 million more. Numerous business tax exemptions would be repealed.

Hardest hit by Granholm's cuts: \$150 million from the Department of Community Health, \$100 million from the Department of Human Services and \$74 million from revenue sharing -- half the cut to communities that Senate Republicans proposed.

The ticket tax proposal got a lukewarm response from fans attending Tuesday night's Britney Spears concert at the Palace of Auburn Hills.

"If they put an extra tax on concert tickets, I don't know if I go to any anymore," said Emmily Johnson, 25, of Troy.

Patrick Keller, 26, said while he's not crazy about the proposal, "I guess I'd rather not have a tax on gas, or something I buy all the time."

If the release of Granholm's plan didn't improve chances for a budget deal by the Oct. 1 deadline, at least it made the battle more public.

Granholm, Senate Majority Leader Mike Bishop of Rochester and House Democrats agreed not to

publicly disclose details of their budget negotiations, although Republicans have called on Granholm and Democrats to reveal their proposals.

"This is a step forward for the people of Michigan to know what the governor is proposing," said Matt Marsden, spokesman for Bishop.

Marsden then drove a wedge into the discussion, saying Granholm's plan for tax hikes is bad medicine.

"We increased taxes in 2007. Clearly things did not improve," Marsden said.

In a statement, House Speaker Andy Dillon of Redford Township took a hard swipe at Granholm's release of the proposal.

"The governor should know that showboating a proposal that has no chance of passing is not a way to solve the state's fiscal crisis," he said "All parties need to put theatrics and demands aside and get back to the hard work of negotiating a budget solution."

The \$150-million cut in the Department of Community Health would come largely by reducing Medicaid payments to doctors and hospitals, Emerson said.

Of the \$685 million in new revenue, \$546 million would go to the general fund, and \$139 million to the School Aid Fund, which provides most of the money for public schools.

Granholm's plan also includes revenue increases for the 2010-11 spending year. She and lawmakers are wrangling over a 2-year budget plan, instead of the usual 1-year budget.

Granholm said the Senate cuts would result in cuts to police and fire departments.

"The Senate cuts are dangerous to Michigan," Granholm said. "The Senate has proposed eliminating the Michigan Promise scholarship. I think that's dangerous to Michigan's future."

Granholm would not trim the \$4,000 college scholarship paid to most successful students.

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Additional Facts

What the dueling budgets propose

Senate Republican plan

Cut \$1.2 billion from state general fund and schools, including:

- \$110-million per-pupil reduction to schools.
- \$165-million cut in revenue sharing to cities.
- \$140-million elimination of Michigan Promise scholarships.

Granholm plan

Raise \$685 million in new revenue, including:

- 6% sales tax on tickets to concerts, pro and college sporting events (\$87 million).
- 25-cent per pack increase in cigarette tax (\$54 million).
- 6% sales tax on vending machine sales (\$29 million).
- 6% tax on service contracts (\$28 million).
- 1-cent tax per bottle of water sold in Michigan (\$18 million).

Cut \$572 million, including:

- \$150 million from Department of Community Health.
 - \$74 million from revenue sharing.
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