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Granholm Puts Squeeze On The House

Gov. Jennifer **GRANHOLM** broke from her preferred practice of signing all department budget bills for the coming fiscal year together today when she penned her name to the General Government budget (HB 5517), a move that puts the squeeze on House members to either pass her early county tax collection plan or face deep cuts in county, city and local revenue sharing.

Without any House action on the early county tax collection plan (SB 1111, SB 1112) and another nuts-and-bolts revenue sharing bill (SB 1104), Granholm noted the $182.3 million the state is using to balance the budget would be a direct, unreplaced, hit to the county budgets. The existing formula reductions would result in cuts of more than 40 percent for all counties in the state and cuts as high as 52 percent for Michigan cities. Interestingly, because of the complex revenue sharing formula, the City of Detroit actually gets a 16 percent increase if nothing is done, a boost of $43 million, which comes basically at the expense of everyone else.

"Our revenue sharing proposal, which was passed by the Senate on a bipartisan vote, preserves funding for law enforcement and first responder efforts without raising taxes," Granholm said. "The budget is balanced. At issue now is how the revenue sharing payments will be distributed. It is up to the State House to pass our proposal that protects the jobs of first responders and protects families by fully funding local units of government."

If the House doesn't act, the state's larger cities and counties would be big-time losers. According to information supplied by the Michigan Municipal League (MML), state funding for Grand Rapids would be cut 33 percent ($7.876 million), Lansing 40 percent ($6.67 million), Kalamazoo 37 percent ($3.9 million), Taylor 33 percent ($2.7 million), Ann Arbor 21 percent ($2.47 million), Saginaw 46 percent ($5 million) and Warren 24 percent ($3.6 million).

The ironic thing about the Governor putting the heat on the House today by signing the General Government budget is the fact that the House basically out-foxed itself when it opted to fight its battle over SB 1111 and SB 1112 instead of continuing its opposition over the General Government budget. Originally, House members weren't going to support it until they were told they could still gum up the process by opposing the early county tax collection bills.

Now, it's the House that either needs to pass the early tax collection bills or come up with an alternative solution. The Michigan Association of Counties (MAC) plans to do its part on Tuesday morning with a "Protect Our Safety and Services" press conference on the Capitol steps.

Mackinac Center legislative analyst Jack **McHUGH** threw his thoughts into the debate today by giving the House another way to get to $183 million in cuts to balance the FY 2005 budget. McHugh suggested:

- Ending state subsidies to the Agricultural Experiment Station. This research should be financed by the agriculture industry itself. Approximate spending cut: $33 million (annual).

- Sell the MacMullan Conference Center. State government should not be in the business of owning and operating a resort-type facility for its employees and their guests. Estimated income from sale: $10 million.

- Eliminate the state's "Technology Tri-Corridor" program. The "Tri-Corridor" program is an economic development initiative of the kind that research and experience have shown to be counterproductive. Approximate spending cut: $30 million (annual).

- Sell the state fairgrounds and end state government operation of the Michigan State Fair. The fair cannot succeed without proper market incentives, and this valuable piece of property is underutilized. Estimated income from sale (excluding estimated annual state property tax revenue from privatized parcel and possible savings on state fair operation): $55 million.

- End state subsidies to the Cooperative Extension Service. Existing private initiatives show that this work can be performed by the private sector. Approximate spending cut: $28 million (annual).

- Reduce revenue sharing to local governments by 2.4 percent. Tax revenues that are spent locally should be raised locally. Approximate spending cut: $27 million (annual).

McHugh, who argues that the county tax proposal is in fact a tax increase, said Friday that the state House's rejection of the plan presents a "rare opportunity to forgo short-term budget fixes and concentrate on fundamental reforms that shed unproductive assets, restrain swelling liabilities and pare back counterproductive and nonessential state programs."