



WEEKLY LEGISLATIVE REPORT

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BUDGET BATTLE OVER REVENUE SHARING CONTINUES

The Michigan Legislature continued to deal with budget issues this week despite the fact that the state fiscal year has already begun. Revenue sharing continues to be a problem that the Legislature can't seem to resolve. SB 245, which contains the revenue sharing appropriations for the current year, remains in the hands of the Senate despite the fact that it has been approved by both chambers of the Legislature. The House of Representatives has taken the position that certain parts of the budget have received cuts that are too severe, including revenue sharing, and are looking to raise revenue so the cuts can be softened. Among the revenue concepts that were debated this week were freezing the personal exemption used in the income tax at last year's level; increasing taxes on certain tobacco products; cutting certain business tax credits; and offering special liquor licenses for extended hours of operations (see related article).

LATEST REVENUE REPORT ADDS TO BUDGET MESS

On Thursday, the House Fiscal Agency revealed the state revenue report for the month of September. Once again tax collections were well below projections. State general fund revenues were \$65 million below expectations and the school aid fund collections were short the same amount. Sales tax collections were 15 percent below the levels from the prior year, but were stronger than the two other major state taxes, the income tax and the business tax. The Legislature finalized the school aid budget late Thursday night taking into account the new revenue numbers. If the decision had been delayed any later, school districts would not have received their October state aid payments in a timely manner. The Senate tied the issue of smaller cuts to school aid, to reducing the Michigan Business Tax burden. The Senate eliminated a scheduled increase in the Earned Income Tax Credit and placed limits on the Film Credit in order to fund the school aid appropriation and MBT changes. Now the Senate and House need to find common ground on the revenue issues.

HOUSE TAKES ACTION ON EXTENDED HOURS FOR LIQUOR SALES

The House Appropriations Committee reported legislation that would allow alcohol to be sold until 4 a.m. and on Sunday mornings if a special permit is purchased from the state. HB 5056, offered by Rep. Richard Hammel (D-Flushing), is designed to raise revenue for the state. Bars or packaged dealers could sell alcohol until 4 a.m. if they purchase a special license from the state for \$1,500 per year. They can sell alcohol from 7 a.m. to noon on Sundays if they purchase another license for the same price. The legislation allows a local government to pass resolutions that would not allow either or both extended hour programs from being implemented in their community. Communities that already ban Sunday sales would automatically be exempt from Sunday morning sales. If extended sales are allowed, each application must still be approved by the local government as well as the State Liquor Control Commission. The revenue would be placed in a special fund to offset revenue sharing cuts as well as select other state programs that saw substantial reductions this year.

LEGISLATURE COMPLETES WETLAND LEGISLATION; FINAL FUNDING NEAR

Both the House and Senate have completed work on legislation to keep wetland jurisdiction under the DEQ rather than sending it to the U.S. Army Corps of Engineers. SB 785, introduced by Sen. Patty Birkholz (R-Saugatuck Twp.), would fund the wetland program for the next three years through the state bottle deposit fund and would streamline approvals of wetland permits in certain situations. SB 785 has now been sent to the governor, who is expected to sign it. However, implementation of SB 785 is contingent upon an additional supplemental appropriation bill to completely fund the program for the next year. A supplemental appropriations bill containing a transfer from the state bottle deposit fund for the wetland program has passed the House and is expected to be taken up in the Senate Appropriations Committee next week.

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