Michigan lawmakers prepare austerity budget

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The state of Michigan confronts a $2.8 billion deficit for the coming fiscal year, a shortfall that must be resolved by October 1 to avert a government shutdown.

While there are ongoing disputes among the state's governor, Democrat Jennifer Granholm, the Republican-controlled Senate, and the Democratic-controlled House over how to meet the deficit, all parties agree that the working class must foot the bill.

Granholm and Senate Republicans have crafted competing budget proposals that seek to enact $600 million and $1.2 billion in spending cuts, respectively, through deep reductions in spending on education and social programs, and through pay cuts, layoffs and furloughs for state workers.

In Granholm's plan, these cuts would be coupled with new forms of regressive taxation on consumer services and products, including a 1 percent tax on bottled water, and increased sales taxes on event tickets and tobacco products. Granholm is also proposing to cut tax reductions for "working poor" low-income families.

There is widespread acceptance in Lansing that the funding cuts enacted this year will never be reinstated and that the budget shortfalls beginning in fiscal year 2011 will be far worse and necessitate far deeper cuts. This is a result of the evaporation of funds appropriated to the state through the Obama administration's stimulus package, the American Recovery and Reinvestment Act of 2009.

Details of the House Democrats' plan have been only partially revealed. House Speaker Andy Dillon, however, has been sharply critical of Granholm's proposals, calling them "showboating" and "theatrics" with "no chance of passing." Sources indicate that the House Democrats' plan is similar to the Senate Republican proposal made public in June.

On Tuesday, Senate Republican leader Mike Bishop said that he and Dillon were close to a deal that would likely exceed the $1.2 billion in cuts the Senate proposed earlier in the year.

Another faction of Republicans favor a government shutdown. The prominent commissioner of Oakland County, L. Brooks Patterson, who recently bowed out of the gubernatorial race, has advised Republican legislators to "shut it down." In an interview with the *Oakland Press*, Patterson declared that "it makes more sense to do it that way than to raise taxes."

Regardless of party affiliation, Michigan's lawmakers are working hand in glove to enact massive cuts to social programs. These will have a devastating impact in a state where official unemployment has reached 15 percent and where, in the month of December alone, 100,000 workers will have exhausted their unemployment benefits.

"We have tremendous concerns about the impact that over a billion dollars in cuts will have on the state's most vulnerable populations...the elderly, the sick and low-income children and families," Dave Maluchnik, spokesman for the Michigan Catholic Conference, told the *Detroit News*.

The state's beleaguered public education system is sure to undergo major cuts, with Granholm proposing to slash more than the Republicans. Her proposal would eliminate $290 million from the state's school aid fund over two years, or about $363 per student.

To enact the cuts without jeopardizing stimulus funds earmarked for education, Michigan will seek a special waiver from the Obama administration. It is anticipated that the cuts will drain millions from the budgets of large school districts and tens of thousands from smaller districts, necessitating a new round of layoffs and shutdowns among districts that will take place, in many cases, in the midst of the school year.

Granholm has proposed $30 million in cuts to higher education. These cuts are likely to force further tuition increases, wage and hiring freezes, and layoffs at state schools. Both the University of Michigan and the Michigan State University systems increased tuition for students by about 6 percent this year; at Oakland University, it increased 9 percent.

A Senate Republican proposal would cut $140 million in funding for the Michigan Promise Scholarship, which extends up to $4,000 of financial aid to students annually. By way of comparison, a year of college education at the state's flagship public university, the University of Michigan, costs about $25,000 for state residents.

Early childhood education will not be spared. The Senate Republican proposal would virtually eliminate state funding for early childhood education, while Granholm has proposed cutting about 6 percent of its budget. The final cut will fall between these two proposals.

And in spite of incessant claims from Michigan legislators about "retooling" the state's workforce, worker training programs appear likely to face substantial cuts.

Healthcare spending will also be substantially reduced, with Granholm proposing $150 million in total cuts from the Department of Community Health.

The state will also exact major cuts to Medicaid, the national health insurance system for the poor that is funded jointly by the federal and state governments. The cuts could be as high as 8 or 12 percent, depending on the budget that is ultimately passed, and come in the wake of a 4 percent cut implemented by Granholm on July 1.

Those receiving Medicaid coverage would have to pay more for medical services. The cuts to Medicaid are passed along from state-contracted HMOs to doctors, who will see substantial reductions in the payments

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they receive for treating the poor, and will be less inclined to treat Medicaid recipients as a result.

"We're all kind of holding our breath" over the cuts to Medicaid, said Charles J. Barone II, MD, president of the Michigan chapter of the American Academy of Pediatrics.

In recent years, Michigan lawmakers have slashed programs that benefit the state's needy children. Among proposals for the current budget, Lansing may reduce the annual clothing allowance for children administered through the Family Independence Program from $88 to $43.

Lawmakers will also cut welfare payments, in a state where one out of five children lives below the official poverty level. A family of three currently receiving a $492 welfare check would see a cut of $30, or 6 percent, under plans currently being negotiated.

Funding for children's medical and mental health services, which currently help 35,000 children from poor families, may also be axed. Mental health faces drastic cuts totalling as much as $62 million.

Lansing is also preparing to shift as much of the social crisis onto the state's cities and towns as it can, with lawmakers preparing to cut somewhere between $74 million and $165 million from state aid to municipalities. This cut will, in turn, result in reductions to vital services provided at the local level, including fire and police service, parks and recreation, and city infrastructure.

"We've already cut revenue sharing, the amount of money that goes to local communities, that means that firefighters and police officers get laid off," Granholm recently declared. "That has already happened and it will still happen in the budget coming ahead."

State workers have been targeted for layoffs. Granholm has boasted that her budget would reduce the state's public workforce to levels not seen in 30 or 40 years. "More than 1,600 state workers will most likely lose their jobs as a result of budget cuts," she said last Friday. "We've put a plan on the table that would call for about 1,600 people to be downsized if you will, but we're not completely through with that yet, and so there may even be more."

Speaker of the House Dillon is also proposing an overhaul of state workers' healthcare system that would force government employees to make higher contributions to their premiums.

Other possible funding cuts include:

•Funding for train service, provided by Amtrak, will be cut, with Granholm and Senate Republicans both proposing funding reductions. This will likely result in a rollback in train service that connects cities in western Michigan to Chicago, the Midwest's rail hub.

•A food charity program, the Michigan Agricultural Surplus System, that subsidizes the packaging and shipment of the excess fruit and vegetable production of the state's farmers faces cutbacks. At a cost of only $630,500 a year, the state ships more than 5 million pounds of food from farms to food banks, and thereby contributes to feeding 1 million people across Michigan.

Food charities expressed fears over the potential cut. "Produce is expensive to buy both for us and for families," a spokeswoman for Gleaners Community Food Bank of Detroit said. "Produce and proteins like meat products tend to drop off the grocery list when budgets get tight."

The Democrat who chairs the House Agriculture Appropriations Subcommittee, John Espinoza, said the program would be fortunate to receive 70 percent of its funding requirements.

• It is all but certain that Michigan's elderly will see a $14-per-month cut in their Supplemental Security Income payments. Granholm and Republicans are in agreement on the measure. For the large numbers of elderly living on fixed incomes, the cut will be devastating.

• Granholm has proposed cutting a $400,000 grant that identifies and tests people at risk for contracting diabetes.

• The state's only poison control call center was shut down in the summer. Granholm has proposed to close it down permanently, saving $300,000 next year as a result.

• The Senate budget would cut funding to the state library system by $7.5 million, less than half of the legally obligated funding level of $15.4 million. "If this budget is enacted," warns Valerie Meyerson of the Michigan Library Association, "the entire statewide resource sharing and interlibrary loan system could collapse."

Earlier, Granholm issued an executive order ending the state's Department of History, Arts and Libraries, effective October 1, and dispersing the State Archives. One resident wrote to a state newspaper warning that the order would disperse the State Archives to "different parts all over the state of Michigan." He added, "the State Archives, which houses important historical documents, books and photographs and other historical things from Michigan's 180 years of recorded history, may be lost to public access or even more important, it could be damaged beyond repair."

Michigan librarians rallied in early September against Granholm's order and the budget cuts proposed for the library system.

• The Michigan State Fair, the oldest in the country, will no longer receive state funding. The annual exhibition of the state's agricultural production, which began in the early 1850s, likely held its last gathering at the Detroit fairgrounds earlier this month, after Granholm announced in February the state could no longer afford $3 million a year in funding.

"This is the first and last for them, and that really makes my heart sad," 64-year-old Chiquita Wardlow, who was interviewed at the fair with her two young grandsons, told the *Detroit News*. "City kids don't really see these animals a lot. This State Fair has meant a lot to me. I am going to miss it. I am just hoping it's not the end and some private business will step up."

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