

## Michigan Fire Service Coalition Legislative Update

February 8, 2007

State Budget Director Bob Emerson presented the Governors' executive budget to the Joint House and Senate Appropriations committee today. With a general fund deficit of \$605 million dollars and a \$377 million shortfall in the school aid fund, the governor proposed a mix of solutions, including departmental cuts, delaying payments to universities, changes in the retirement systems, and tax restructuring proposal.

For local governments, the Governor proposed a freeze in revenue sharing payments at current year levels. Revenue sharing amounts to \$1.09 billion dollars to locals. For ***Local Government Collaborative Efforts*** for cities, villages, and townships that produce efficiencies through service sharing, mergers, or consolidations with other governmental units **\$27.2 million** is proposed. Exact details on this money will be disbursed is not yet known. For Fiscal Year 2008, the Governor is not recommending cuts to the Bureau of Fire Services. Funding for the Bureau will remain at \$6.5 million.

The Governor is also issuing Executive Order No. 2007-1 which implements expenditure reductions for all of the states' departments. The Department of Labor and Economic Growth (DLEG) is facing \$1.3 million in cuts to be effective immediately. **The bulk of these cuts will come from the *Fire Protection Grants* equaling about one million dollars.**

As part of her budget balancing plan, the Governor has proposed a tax restructuring proposal which will help fill the gap left by the Small Business Tax which is set to be eliminated by the end of 2007. The proposal includes a 2% tax on services. For example this tax would include most entertainment activities (golfing, baseball games), repair and maintenance services, construction services, legal and accounting services, landscaping and lawn care, and personal care services (hair cuts). Also proposed is an increase in both the cigarette and liquor tax. If the legislature moves to enact the Governors' tax restructuring proposal it would have to happen quickly to ensure that further cuts aren't made to the budget.

Remember until the current budget is predicated on a new tax structure which includes new revenue enhancements. We must let the legislature know that we can't afford further cuts to revenue sharing, fire protection grants or the Bureau of Fire Services.