

# THE JACOBS CAPITOL REPORT

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## HOUSE BUDGET PLAN: TAX UTILITY COMPANIES

### Graduated Income Tax Also a Possibility

House Speaker Andy Dillon (D-Redford Twp.) is in the process of crafting a budget plan much different from the service tax proposal offered by Governor Granholm. Dillon's recipe, which involves tapping utilities for additional revenues, contains some unprecedented ingredients.

The first step of the Dillon plan involves a revamp of Public Act 141, a measure adopted several years ago as an attempt to provide for more competition in the state's energy market. Under the speaker's plan, the state would tax Consumers Energy and DTE Energy in exchange for returning them to monopoly status.

"We recognize that the state faces a serious fiscal challenge," said Jeff Holyfield, a Consumers Energy spokesman. "We're ready to work with the speaker, legislative leaders, and the governor's office to talk about this plan and other options to resolve the problem."

Some interested parties expressed concern that the utility tax would be passed onto consumers.

The speaker's plan also involves placing a constitutional amendment on the 2008 November ballot, one that will give voters an opportunity to approve a graduated income tax, replacing the current flat rate.

It would take a two-thirds vote in each legislative chamber to place the proposal on the ballot.

Putting an end to townships and consolidating them with other local government entities is another option that Speaker Dillon might fold into the mix, one that will likely prove controversial.

## BUDGET SHOWDOWN = STATE SHUTDOWN

### Stoppage Becomes a Possibility

Unless state leaders can reach a budget consensus soon, Michigan's government will face a shutdown on May 20.

"The money issue is real," said Granholm spokesperson Liz Boyd. "This is not a fabricated crisis."

The governor and legislators need to address the \$941 million budget shortfall soon, otherwise the state will run out of money.

According to Chief Deputy Treasurer Mark Haas, taking no action on Michigan's cash flow problem will result in the state having to shut down services in order to afford to make scheduled payments to schools and Medicaid recipients.

Michigan has already reached its constitutional limits on short-term loans.

The Granholm Administration confirmed this speculation, and added that the governor has told cabinet members to develop contingency plans for shutting down programs.

Governor Granholm remains steadfast in insisting that the state cannot cut its way out of this financial entanglement. Republicans disagree, citing their plan, voted out of the Senate last week, that uses cuts and one-time fixes to balance the \$941 million hole.

Liz Boyd described the GOP plan as "irresponsible" since "it hurts people."

### EXPECTING A TAX REFUND? INVEST IN MET Prepaid Tuition Enrollment Period Starts April 1<sup>st</sup>

Consider using your state or federal tax refund to invest in a child's future. Parents, grandparents and others can purchase a semester or two of college tuition through the Michigan Education Trust (MET) when open enrollment begins April 1st. Get Set with MET by locking in tomorrow's tuition at today's rates.

"There is no better time to start saving than right now," said State Treasurer Robert J. Kleine. "Using a tax refund to purchase even one semester of prepaid tuition through MET will help families defray future college costs."

The next MET enrollment period begins April 1st. Contracts range from one to eight semesters (four years) of education and several convenient payment options are available, including payroll deduction. Enrollment will continue through July 31, 2007. MET online enrollment information is available at [www.SETwithMET.com](http://www.SETwithMET.com).

Since its debut in 1988 as the nation's first guaranteed tuition program, MET has sold more than 82,000 contracts with assets of nearly \$1 billion. Not only are MET contracts portable to Michigan private and out-of-state colleges and universities, they may be transferred to other eligible family members. For more information visit [www.SETwithMET.com](http://www.SETwithMET.com) or call 1-800-MET-4-KID (800-638-4543).

WIT, WISDOM, ETC . . .  
Quotables

“A hot dog at the ballgame beats roast beef at the Ritz.”  
~Humphrey Bogart

“That's the true harbinger of spring, not crocuses or swallows returning to Capistrano, but the sound of a bat on a ball.”  
~Bill Veeck

Quote of the Week: Edgar Allen Poe  
"I have great faith in fools. Self-confidence, my friends call it."

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State Senator Gilda Jacobs represents the 14th Senate District, which includes Beverly Hills, Bingham Farms, Farmington, Farmington Hills, Ferndale, Franklin, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak Township, Southfield, and Southfield Township. She is the Minority Vice Chair of the Families & Human Services Committee and the Campaign & Election Oversight Committee. She also serves on the Finance, Economic Development & Regulatory Reform, and Health Policy Committees.

Constituents of the 14th District may contact Senator Jacobs at  
[sengjacobs@senate.michigan.gov](mailto:sengjacobs@senate.michigan.gov)  
or toll-free at 1-888-937-4453.

This newsletter is produced in single-space form in order to save paper and transmission costs.

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