



CAPITOL REPORT

September 28, 2007

As of 11:00 a.m., no state budget deal has been reached, although there are signs that a compromise averting a state government shutdown may be slowly taking shape.

The House and Senate recessed at 1:30 this morning and set one o'clock this afternoon (Friday) as the time when both will reconvene. That's less than 60 hours before the current fiscal year expires.

Rumors abound on the content of a possible deal. We think it likely, in the end, that the income tax will go to 4.4%, the sales tax will be expanded to cover a number of "luxury" services, and reforms said to total \$400 million will be contained in the package. As we have been predicting, the Senate version of school employee health insurance pooling will likely be part of the final deal, much to the chagrin of the MEA.

If agreement is reached on a revenue/reform package, it will still be necessary to write the various 2007-08 departmental spending bills and, under those circumstances, Governor Granholm will almost certainly agree to a 30-day continuation budget while the new FY spending plan is worked out.

It may be late tonight, or even over the weekend, before anything is known more definitively. We'll be at the Capitol throughout and will do our best to keep you posted.

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