

Michigan Chamber Opposes Plan to Create Second 'Rainy Day' Fund For State Government

The Michigan Chamber of Commerce today spoke out against a plan announced early in the day by Governor Granholm and House Democrats to create a separate "rainy day" fund for school aid with new money received from the federal government. The Michigan Chamber expressed concern that this plan is unnecessary, counterproductive and would have a negative impact on Michigan's economic competitiveness.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20000320/DEM039>)

"Since 1977, the state of Michigan has had a Budget and Economic Stabilization Fund. Over the past 26 years, this 'rainy day' fund has been used for a wide range of purposes, including stabilizing funding for K-12 education. It is clearly unnecessary to create a separate 'rainy day' fund for school aid," said Michigan Chamber President & CEO Jim Barrett.

The amount of funding available for public schools in Michigan has grown rapidly since the passage of Proposal A in 1994. School operating revenue has increased 40% from 1994-2001. During the same time period, inflation increased at a rate of 15%, while school enrollment was up by only about 5%, noted Barrett.

"Since 1994, many public schools in Michigan have received per pupil revenue increases that are double or triple the rate of inflation," said Barrett. "This dramatic increase in state funding for K-12 education was accomplished without the accounting gimmick of creating yet another 'rainy day' fund for schools."

"The proposal to create a second 'rainy day' fund would be counterproductive because it would undermine state government's system of checks and balances at a time when there is a greater need for more accountability in state spending," said Rich Studley, Senior Vice President of Government Relations for the Michigan Chamber. "We are seriously concerned that this plan would weaken the role of the legislature in setting annual spending priorities and set a bad precedent for other public interest groups to pursue similar preferential treatment."

Last, but not least the proposal to create a second "rainy day" fund for schools would have a negative impact on Michigan's economic competitiveness by making permanent the temporary halt in the phase-out of the Single Business Tax (SBT).

In 1999, the legislature and administration agreed to gradually phase-out Michigan's burdensome SBT over a multi-year period. The law providing this much needed SBT relief includes a provision that suspends the phase-out if the balance in the original Budget Stabilization Fund falls below \$250 million. This provision was triggered last year. Creating a second "rainy day" fund means that it is highly unlikely the phase-out would ever be restarted.

"If the Governor and House Democrats are opposed to providing Michigan's job providers with the tax relief employers were promised, they should simply say so instead of hiding behind accounting gimmicks and budgetary shell games," Studley concluded.

The Michigan Chamber of Commerce is a statewide business organization that represents approximately 6,500 employers, trade associations and local chambers of commerce. The Michigan Chamber was established in 1959 to be an advocate for Michigan's job providers in the legislative, political and legal process.

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