



Capitol Corner
An ECIC Legislative Update
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More Bad Financial News for the State

Just when the Governor and Legislators figured they had corrected Michigan's financial ship, Senate and House Fiscal Agency Directors announced this week that their projections show the current fiscal year and next fiscal year to be facing a combined potential deficit of \$383.6 million.

On Wednesday, Gary Olson, Director of the Senate Fiscal Agency, briefed the Senate Appropriations Committee on his projections. He told them that in the current fiscal year, the state's is facing a \$134 million shortfall, including \$119 million in the general fund and \$15 million in the School Aid Fund, from revenue projections made at the January Revenue Estimating Conference.

Mr. Olson estimated that for the coming fiscal year, which starts October 1, 2008, that the state is facing a \$249.6 million shortfall, including \$114.2 million in the general fund and \$135.4 million in the School Aid Fund.

Taken together that is a \$383.6 million shortfall in revenues. Director Olson said that the state's rain day fund, the Budget Stabilization Fund, could handle the current fiscal year's deficit, but that lawmakers would have to either make cuts or find more revenue to balance the coming fiscal year's budget.

On Thursday, Mitch Bean, Director of the House Fiscal Agency, concurred that his estimates were very close to Gary Olson's estimates on revenue projections. Both Directors pointed to declining property values, the tobacco settlement funds being kept in escrow, the Midland Property Tax Settlement, and the impact of the federal stimulus package as all impacting the bottom line.

Senate Majority Leader Mike Bishop (R-Rochester) was quoted in the Gongwer Report that he was instructing the Senate Appropriations subcommittees to cut spending for the coming fiscal year to match the estimates put forth by the Senate Fiscal Agency.

Senator Ron Jelinek (R- Three Oaks) voiced similar suggestions to his fellow Senate Appropriations Committee members on Wednesday after Director Olson had finished his presentation.

House Democrats Roll Out Plan to Increase Day Care Accountability and Training

On Wednesday, House Democrats announced their legislative package to address fraud and errors in the state's Child Day Care services program. Last week at a joint committee hearing, the Department of Human Services went over a report that outlined \$11 million dollars worth of overpayment to day care providers. Most of the blame seems to rest with a decision in 2001 to change from biweekly timecard system to having the day care providers use an automatic call-in system to punch in the number of care hours without having any verification of those hours by the Department. The payment is for subsidized day care provided to qualified families when the parent is unavailable to provide care.

The change in accountability and verification has caused a large increase in fraud and errors in the subsidy program. The House members pointed out that in FY 2001, the Department confirmed 354 case of day care fraud, costing the state \$711,878. In FY 2007, the Department documented 1,639 cases of day care fraud, costing almost \$9 million.

The legislative package will:

- Require parent or guardian documentation of work, school or other qualifying activities to prove paid care hours are, in fact, needed.
- Require DHS to monitor time and attendance records.
- Require DHS to determine if a child is eligible for the state's day care program every six months. Currently, "redetermination" occurs only once per year.
- Require DHS to go after money owed to the state due to fraud and encourage prosecution of those responsible for defrauding the day care program.
- Restrict day care payments made to people living in the child's home.
- Give DHS the authority to perform enhanced background checks on day care providers.
- Establish training requirements.
- Limit the number of children one day care provider can care for.
- Require the completion of a health and safety checklist by day care providers.

- Require DHS to provide qualifying parents with direct assistance and/or counseling in choosing child care and other educational resources for their child.

Senate Passes Child Booster Seat Legislation

On Thursday, the Senate passed unanimously legislation that would require a child who is 4 years old but less than 8, and shorter than 4 feet 9 inches to be secured in a booster seat when in a motor vehicle. If signed by the Governor, Michigan would join 38 other states in enacting booster seat legislation.

Vehicle crashes are the number one cause of death and injury to children older than one years of age. This is mainly due to the fact that seat belts are designed for adults and not children.

This legislation matches bills previously passed by the House last year. A final bill package must be agreed upon and then sent to the Governor for her signature.