

Michigan stares down 2nd govt. shutdown in 3 years

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LAINGSBURG, Mich. (AP) - Economically beleaguered Michigan faces a possible government shutdown - shuttering highway rest areas, state parks, construction projects and the state lottery - if lawmakers fail to reach a budget deal in the next few days.

The state with the nation's highest unemployment rate has a nearly \$3 billion shortfall. Federal recovery act money will fill more than half the gap, but the spending cuts or tax increases needed to fill the rest have caused bitter infighting at the state Capitol.

Michigan is one of just two states whose budget year starts Oct. 1. The other, Alabama, already has a spending plan in place, according to the National Conference of State Legislatures. If lawmakers in Lansing don't make progress soon, Michigan could join the eight other states that failed to meet budget deadlines - but did not shut down - this year.

That's something neither Democratic Gov. Jennifer Granholm nor lawmakers want to do. They're haunted by memories of the fallout from an hours-long government shutdown in 2007 and want to avoid the resulting voter disgust and national derision.

Darin and Jenni Johnson of Howell were told to leave their campsite at Sleepy Hollow State Park near Laingsburg on a Sunday night two years ago as the state headed toward a shutdown.

"We had to cut our weekend short because they kicked everyone out. It was a gorgeous weekend," said Jenni Johnson, who was back at the park northeast of Lansing with her husband Thursday for an extended weekend in their pop-up trailer.

She recalled one couple from out of state who had planned to stay another week.

"I'm sure it didn't leave them with a good impression," Jenni Johnson said.

Bob Terranova worries any lottery suspension could cost him business at the convenience store he owns in the town of DeWitt just north of Lansing.

"It keeps your customer count down ... (and) may take away from your retail sales," he said.

One state lawmaker, Republican Rep. Ken Horn, introduced legislation that would give residents a grace period to renew licenses, apply for benefits and let businesses operate under existing permits if there's a government shutdown. The legislation hasn't had a hearing.

About the only thing Republicans and Democrats have agreed on is tapping up to \$1.5 billion in federal recovery dollars to fill part of the \$2.8 billion budget gap. A continuation budget could be put in place to avoid a shutdown, but one approved Friday by Senate Republicans is opposed by Democrats, and it can't be voted on by the Democratic-led House until one day before the Oct. 1 deadline under legislative rules.

Senate and House Republicans say they can deal with the shortfall with deep cuts to schools, college scholarship programs, Medicaid reimbursement rates for doctors, and money for local police and firefighters and the poor. They argue a cuts-only will prevent even deeper slashing in the next budget year when federal recovery dollars dry up.

Granholm and many Democratic lawmakers say cuts too deep will hurt the state's ability to educate students, retrain unemployed workers, help the poor and mentally ill and protect public safety.

With the Senate in Republican hands and Democrats holding a House majority, and the Democratic governor and House speaker disagreeing, a compromise has been slow in coming. Legislative leaders did report some progress Friday, but hurdles remain.

Republicans want Democratic lawmakers to propose and pass tax increases, giving the GOP possible fodder to use against Democrats in next year's elections. Democrats hope to get a leg up by painting GOP lawmakers as willing to hurt children rather than reinstate estate taxes on the rich.

The question now is whether Michigan will follow the path of the eight other states that failed to pass budgets on time: Arizona, California, Connecticut, Illinois, Mississippi, North Carolina, Ohio and Pennsylvania.

California's budget impasse lasted so long the state had to issue IOUs to cover debts. Connecticut Gov. Jodi Rendell had to issue an executive order keeping the government running past June 30 and only recently agreed to let a budget become law without her signature.

Pennsylvania didn't get a budget deal in place until about a week ago. It has operated since June under a stopgap measure that is paying state workers and allowing billions in other government spending while details are hammered out.

Bill Rustem of Public Sector Consultants, a nonpartisan Lansing think tank, sees a broken Michigan budget process.

"It's the same thing that happened in 2007. The game has become more important than the results. Having an issue has become more important than having a solution," he said. "That's not the way democracy was designed to work."