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The EITC Delay

A new bill was introduced that could delay the start of Michigan's new Earned Income Tax Credit (EITC). The EITC was adopted in 2006 to give tax relief to help the low income residents but was not to take the effect until 2008. The purpose of the delay was to minimize the need for a tax increase and help the state's financial base.

Under the introduced bill, SB 662, sponsored by Sen. Nancy Cassis (R-Novi) the EITC will not go into effect until the state's Budget Stabilization Fund has a balance of at least \$250 million. The fund is currently at zero. Senator Cassis, the chair of the Senate Finance Committee, commented that the possibly delay will not be as harmful as federal credits are still available. Even though Senator Cassis was also the sponsor of the legislation that created the EITC, she emphasized that the EITC is expected to cost the state \$132 million. Furthermore, should the state cut its revenue by \$132 million, it would have to increase taxes, which would be harmful for low income residents even with the EITC.

Despite Senator Cassis' reasons for the delay, Sharon Parks of the League for Human Services criticized the introduced

bill. Ms. Parks argues that Michigan is rated one of the worst states when it comes to taxing people as individuals earning below the poverty line are being taxed. Ms. Parks also argued that the extra income the poor would net through the credit would be needed whether taxes were increased or not.

The New Self-Directive Program

A new program named Cash & Counseling is being offered in 15 states to allow patients to be in control of their Medicaid dollars. According to Will Wilson in "A Counselor's Calling" of the Governing Magazine, this program allows participants to get a monthly cash allowance from some of the Medicaid money allocated for their care. They can use it to buy goods and services that will allow them to live at homes and in communities rather than in an institution.

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The goal of this program is to help the states provide better care for the participants without the need to spend more money on long-term care. Personal care-services from this program may run up the bill early in the program but in the long run can save costs by helping the participants stay healthy earlier. Besides providing cash, the program needs effective counseling. Under the program, fiscal employer agents (FEA) are provided to help participants to manage the purse and help administer the financial paperwork.

The program is seemed to be working as participants are less likely to show to hospitals or transfer to nursing homes. Not only that, there has been little evidence of misuse of funds as the amounts of money allocated are small and carefully controlled by the FEAs. Not only that, participants were also uneasy about handling lump sums of cash and requested counseling help.

Immigration Pressures on States' Politics

The issue of illegal immigration is having a tremendous impact not only on states' economies but also their politics. According to Josh Goodman in "Crackdown" in Governing Magazine, Georgia enacted SB 529 which is the most stringent statute of its kind anywhere in the country. This law requires state and local government agencies along with employers to verify the legal residency of benefit recipients. Law enforcement officers are given authority to crack down on human trafficking and fake documents. Georgia passed this law to combat the growth rate of illegal immigrants, the highest in the country, and pressure from the populist uprising. Some provisions of this law are also followed by several states such as Colorado and Oklahoma.

The passage of this law also shows the rearrangement of politics that is evident in Georgia and other states. The Chamber of Commerce finds itself at conflict with the Republican Party as businesses are being deprived of low cost labor. Union members and African Americans are forced to reevaluating their ties to Democrats over increasing job competitions and possibilities of driving wages down.

Until recently, most state-level policy makers believed that the immigration issue could only be solved at the federal level. With the example of Georgia, followed by Colorado and Oklahoma, many states are monitoring the effects of these laws. Some recent results from these laws are the reduction of illegal immigrants entering Colorado but at the expense of increasing worker shortages and lower productivity of businesses.

2008 Department of Community Health Budget

HB 4344 (Gary McDowell, D – Rudyard), the Community Health Appropriations bill, has passed the House and has been referred to the Senate Appropriations Subcommittee on Community Health. One of the major criticisms levied against this bill, in its current form, is that it is 9% higher than even the Governor's recommendation and commits more of the state's dwindling GF/GP funds.

Some highlights of the bill include:

- A 2% wage increase for direct-care workers in CMH settings;
- A \$500,000 jail diversion program to divert mentally-ill and dually-diagnosed individuals into secure settings for diagnosis and treatment;

- A requirement that the funds appropriated for mental health treatment courts be used by CMHSPs in counties in which mental health treatment courts are funded with an allocation of \$279,000 for each qualifying CMHSP.
- An allotment of \$300 million for implementation of the Michigan First Health Plan as soon as the waivers are approved by the Federal Government.

Since talks on increasing revenues have stalled to some degree, the Senate's target dollar amounts for each budget will be lower than the House-passed versions. This may mean either cuts to the increases the House added or further cuts to existing programs. Either way, the legislature has until September 30 to pass the budgets, as the new fiscal year starts October 1.

Estate Preservation

Senator Deb Cherry (D – Burton) has introduced SB 627, which establishes Estate Preservation. The bill allows for a fee of \$1 per month for 360 months to be charged to a household choosing to participate in the estate preservation program. This money in turn goes to the Department of Treasury for the Estate Preservation Fund. The Department of Community Health, in turn, may use the money accrued in this fund for long-term care services or to pay the Federal Government back on any money owed for long-term care services rendered to individuals. The bill is before the Senate Appropriations Committee.

Recently, the Department of Community Health conducted a discussion with the federal government on the issue. Apparently the federal government is threatening to sanction the state, perhaps even retroactively. The department proposed a \$250,000 exemption, which the feds claimed was too high. The department

plans to send a letter out next week to legislators with more details. A bill that would set up an estate recovery program, SB 374, sponsored by Sen. Michael Switalski (D-Roseville) has sat on the Senate floor since early April.