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State faces low revenue, cutbacks

No decisions yet on what programs to take adjustments

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Lower tax revenues will force some trimming in the state budget being worked on for the next fiscal year, a trio of state economists said Friday.

The state likely is facing a shortfall of \$170 million to \$350 million in the budget year that starts Oct. 1. That could mean K-12 schools, universities and some state programs may not get as much as Gov. Jennifer Granholm has proposed.

Revenues aren't growing as much as expected because of the slower national economy, weak housing market, a new film industry tax credit and speedier business depreciation in the federal stimulus package.

"There's going to have to be some downward adjustments," state Treasurer Robert Kleine said Friday at the conclusion of the May revenue estimating conference.

Revenue for the current budget year is expected to be about \$61 million below what Kleine, House Fiscal Agency director Mitch Bean and Senate Fiscal Agency director Gary Olson forecast when they held a similar conference in January.

That's a relatively small amount that can be covered by surplus funds left over from the last fiscal year. The state's \$9.8 billion general fund is expected to take in about \$82 million less than earlier estimates, while the \$13 billion school aid fund that pays for K-12 education should take in about \$22 million more.

But dealing with the following year's shortfall will be tougher.

In February, the Granholm administration proposed a \$44.8 billion spending plan for the next fiscal year that includes \$13.5 billion for K-12 schools and \$9.8 billion in the general fund that pays for everything from universities to prisons.

The House and Senate have changed some of those recommendations as they've worked on the budget.

Kleine said the Democratic governor agrees spending needs to decrease but hasn't made any decisions yet on what to whittle down.