

# Negligence Law Section

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### **“State Budget Complete – Will it lead to more Legislative Volume?”**

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The long and drawn-out 2025 state budget battle is finally over, as Governor Whitmer signed both the omnibus state budget bill and the school aid bill into law on Tuesday, October 7. While the initial budget proposals from the House and Senate were miles apart, in the end the final product was something about which both sides expressed mixed feelings. The budget included \$1.8 billion in new money for transportation funding (mostly aimed at road and bridge construction) which was obtained through a mix of spending cuts and new revenues.

After nearly a year of press conferences, finger pointing and a very brief state shutdown, Governor Whitmer signed the Omnibus Budget into law that will provide funding for the 2025-26 fiscal year. It concluded a standoff wherein House Republicans and Senate Democrats advocated for starkly different visions for state spending. It also included a road funding agreement that will add between \$1.5 and \$1.8 billion in new road and transportation funding depending on which analysis one reads.

Initially, the road funding issue and the budget had been argued separately. However, as the year wore on and the budget deadline loomed, it became clear that the two issues were inextricably linked. The Governor and the House Republicans had both proposed plans that would raise approximately \$3 billion for road funding. The Governor’s plan had relied on a few spending cuts and new taxes to pay for it. The House proposal paid for the plan entirely with budget cuts. By August, it was clear that neither plan was politically viable.

As the October 1 budget deadline loomed, leaders from the House and Senate met with the Governor to work out a compromise plan that would include some budget cuts but also some new revenues. In the end, a scaled down road funding plan was passed, along with several tax bills that raised – or in some cases lowered – various taxes.

The most controversial of these was a new proposed tax on marijuana. The 24% wholesale tax was loudly opposed by the marijuana industry, and it narrowly passed the Senate over that opposition. Other bills were also passed to increase revenue, or more precisely, to prevent the loss of revenue. The Legislature passed legislation that uncoupled the Michigan Corporate Income Tax from the federal tax so that it would not automatically be reduced at the end of the year. The House and Senate also passed legislation reauthorizing the Insurance Provider Assessment that is used to match federal Medicaid funds. The Corporate Income Tax and

Insurance Provider Assessment bills prevented the loss of hundreds of millions of dollars to the state general fund and to state Medicaid support.

As for the Omnibus Budget, the final version contains the elimination of approximately 2,000 FTEs for state departments. Governor Whitmer stated that these positions are currently unfilled and will not result in any layoffs. However, in areas such as state psychiatric hospitals and corrections facilities, those unfilled positions represented staffing needs that might now go unmet. The budget did include funding for state employee wage increases that had been approved by the Civil Service Commission. It also included an additional \$17 million in the Michigan Department of Corrections for a 5% wage increase to corrections officers for all steps.

The ongoing fight over state spending consumed the bulk of 2025, the first year of the two year 2025-6 state legislative cycle. It drowned out nearly all other legislative efforts. For example, by this stage in previous legislative sessions, the House and Senate typically send nearly 200 bills to the Governor's desk to be signed into law. This year, prior to the passage of the budget and the implementation bills attached to it, the Governor had only signed 12 bills into law.

Many advocacy groups had hoped that once the budget was complete, the flood gates would open to addressing the hundreds of policy bills that have been waiting in the wings. It is not clear that those floodgates will open, however, as leaders in the House and Senate continue to struggle to reach agreement on how bills will move through the process. Partisanship is at an all-time high in Lansing, and it appears the gridlock will continue through the end of 2025 and likely into 2026.

This gridlock is even worse in areas surrounding Negligence Law. Despite bipartisan agreement that certain changes should be made in areas like no-fault auto insurance and criminal sexual conduct statutes of limitations, getting a bipartisan agreement has been an enormous challenge. The battle lines are even further apart in areas such as limitations on liability (e.g. proposals to limit liability for types of medical treatment in emergency situations); Workers Compensation reforms; and revitalizing the Consumer Protection Act. One chamber will pass a bill only to see it die on arrival in the other.

It is a frustrating time to be a legislator, advocate, or lobbyist in Lansing.

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