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Budget Momentum Builds as House, Senate Advance Competing Plans

The Legislature has entered the most consequential phase of Michigan's budget cycle, with both chambers now advancing full FY 2026–27 spending plans and setting up high-stakes negotiations heading into summer.

On the House side, Republicans moved early, passing a roughly \$76 billion proposal as an opening bid and signaling a more assertive, front-loaded approach than in recent years. Leadership has emphasized speed, member-driven priorities, and significant use of Legislatively Directed Spending Items (LDSI).

The Senate, under Democratic control, has advanced a larger budget framework—approximately \$88.1 billion, including \$25.1 billion for education—focused on maintaining core investments and positioning for on-time completion.

A New Dynamic Inside House Appropriations

Layered onto the policy and funding differences is a notable shift in House dynamics. House Speaker Matt Hall recently appointed former Speaker Joe Tate as Minority Vice Chair of the House Appropriations Committee, filling a role that had been vacant for months and inserting a high-profile Democrat directly into the center of budget negotiations.

The move required removing another Democratic member from the committee and was made without buy-in from House Democratic leadership, drawing sharp criticism from Minority Leader Ranjeev Puri. The appointment—and broader committee reshuffling—has heightened partisan tension and raised questions about precedent, particularly around majority-party involvement in minority caucus dynamics.

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At the same time, Speaker Hall framed the decision as an opportunity to facilitate bipartisan dealmaking in the final months of the term.

Why it matters:

- Places a former House Speaker with deep budget experience inside the negotiating room
- Signals a more hands-on, leadership-driven House approach to final budget construction
- Adds a layer of political complexity that could either accelerate—or complicate—conference negotiations

Where Things Stand

With both chambers having passed their respective budget packages, the process now shifts to negotiations between the House, Senate, and Governor’s office.

Key dynamics to watch:

- Wide top-line gap: significant differences in overall spending will require substantial compromise
- Policy divergence: the House leans toward targeted reductions and reallocations; the Senate maintains or expands baseline investments
- Timeline pressure: the July 1 target looms, with October 1 as the hard constitutional deadline

LDSI: Alive, Active—and Under Scrutiny

Legislatively Directed Spending Items remain a central feature of the House proposal, with members securing project-based funding tied to district priorities.

As negotiations move forward, these items will face familiar pressure points:

- Scaling back during conference as the Senate and Governor weigh statewide alignment
- Higher expectations for transparency and justification
- Selective retention of high-impact or bipartisan projects

Supplemental Budgets Moving in Parallel

Alongside the FY 2026–27 process, supplemental appropriations are advancing to address immediate needs.

The Senate has already approved a \$1 billion supplemental package, underscoring the continued use of supplementals as a more flexible, near-term funding tool.

For stakeholders, these vehicles offer:

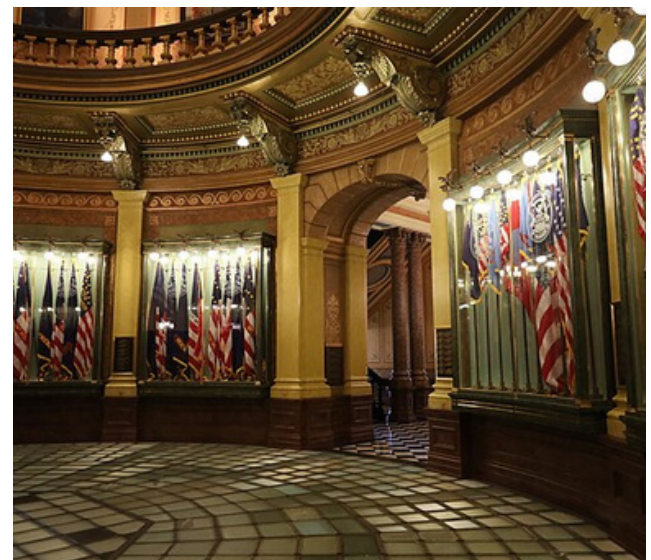
- A faster path to funding than the full budget cycle
- Opportunities for targeted, less controversial investments
- A space where bipartisan agreement is more likely

Bottom Line

The budget process is moving earlier and more assertively than last year, but the most important work lies ahead.

With the House staking out an aggressive opening position, the Senate advancing a higher-spending framework, and leadership dynamics shifting inside House Appropriations, the path to a final agreement will require careful negotiation across both policy and politics.

For stakeholders, this is the critical window. Positions are set, but outcomes remain highly fluid.



House Committee Shakeup Signals Tighter Leadership Control

A series of late-session committee changes in the Michigan House is reshaping internal dynamics at a critical moment in the budget process—tightening leadership control while adding new political tension across the aisle.

Most notably, House Speaker Matt Hall appointed former Speaker Joe Tate as Minority Vice Chair of the House Appropriations Committee (see page one). The role had been vacant for months, and the move inserts a high-profile Democrat with deep institutional knowledge directly into the center of budget negotiations.

But the Tate appointment is just one piece of a broader realignment.

To accommodate Tate, Rep. Natalie Price was removed from the Appropriations Committee—an uncommon step for a panel that traditionally maintains stable membership, particularly this late in session.

Additional changes ripple across key committees:

- Rep. Angela Witwer was named Minority Vice Chair of the House Health Policy Committee, replacing Rep. Karen Whitsett, who has been largely absent this term.
- Witwer, in turn, was removed from the influential House Rules Committee.
- Rep. Alabas Farhat was added to Rules and named Minority Vice Chair, marking a notable return to a leadership-adjacent role after previously being removed from an Appropriations post.

Political Fallout

The changes have not been well received by House Democrats. Minority Leader Ranjeev Puri criticized the moves as an overreach by the majority, arguing they set a concerning precedent for interference in minority caucus operations.

The tension reflects a deeper divide: while Republicans frame the changes as pragmatic and focused on delivering an on-time, functional budget, Democrats see them as a break from longstanding norms governing committee assignments and internal caucus autonomy.

What It Signals

Beyond the immediate political friction, the reshuffle highlights several key trends:

- Centralized control: Leadership is taking a more active role in shaping committee membership, particularly on high-stakes panels tied to budget and policy outcomes.
- Performance-based positioning: Attendance, engagement, and alignment appear to be driving factors in who holds key roles as the session accelerates.
- Process over precedent: Traditional deference to minority caucus decisions is giving way to a more fluid, majority-driven approach.

Bottom Line

As budget negotiations intensify, these committee changes are about more than personnel—they are about control of the process itself.



Speaker's Property Tax Relief Package Moves in House; Details Emerging

A package of property tax relief bills backed by House Speaker Matt Hall began moving, with legislation taken up in the House Government Operations Committee last week.

While final details are still developing—and a more comprehensive analysis is expected as formal write-ups are released—the package represents a central pillar of House Republicans' policy agenda this term and is already generating significant interest among stakeholders.

What We Know So Far

The Speaker's proposal is broadly focused on providing tax relief to homeowners and addressing long-standing concerns around property tax growth, particularly in periods of rising home values.

Early indications suggest the package may include:

- Adjustments to how taxable value increases are calculated
- Potential changes to assessment caps or “uncapping” provisions
- Mechanisms aimed at stabilizing or reducing year-over-year tax increases for homeowners

The specifics—and fiscal impact—will be critical, particularly given the constitutional and statutory constraints that shape Michigan's property tax system.



Key Considerations

As the package moves forward, several issues are likely to drive discussion:

- Local government impact: Property taxes remain the primary revenue source for many local units of government. Any reduction in collections raises questions about backfill mechanisms or service implications.
- Equity and targeting: Policymakers will need to balance broad-based relief with more targeted approaches for populations experiencing the greatest tax burden pressures.
- Interaction with existing law: Changes to taxable value limits or uncapping rules could have long-term structural effects on how property taxes function in Michigan.

What to Watch

- Bill specifics and fiscal analysis once formal language and House Fiscal Agency summaries are released
- Committee action and potential amendments as the package moves through the House
- Senate posture, where property tax changes have historically faced more scrutiny
- Administration response, particularly around fiscal impact and alignment with broader budget priorities
- How will the revenue be replaced? Introduction of the property tax relief package included a bill to provide taxes on certain luxury items, yet to be defined.

Bottom Line

The Speaker's property tax package is moving—and it's already a top-of-mind issue for stakeholders.

While the policy direction is clear, the details will determine both the viability of the proposal and its ultimate impact. As more information becomes available, this will be an area to watch closely as part of the broader legislative and budget landscape.

Hope Zones Gain Attention as Lawmakers Revisit Place-Based Economic Strategy

A renewed focus on “Hope Zones” is emerging in Lansing, signaling potential movement on a place-based economic development strategy aimed at targeting investment in communities facing persistent economic challenges.

While still in the early stages this term, the concept is familiar: designate specific geographic areas for enhanced tax incentives and regulatory flexibility to attract private investment, support job creation, and stabilize local economies.

What Are Hope Zones?

Modeled in part on federal Opportunity Zones, Hope Zones would identify high-need communities and pair them with:

- Targeted tax incentives for businesses and developers
- Streamlined development processes to reduce barriers to entry
- Public-private alignment to encourage coordinated investment

The goal is to concentrate resources in areas where traditional economic development tools have had limited impact—particularly in communities experiencing long-term disinvestment.

Why It’s Back on the Table

Several factors are driving renewed interest:

- Uneven economic recovery: while some regions of the state are growing, others continue to face population loss, workforce challenges, and underinvestment
- Desire for more targeted tools: policymakers are looking for ways to direct resources more precisely, rather than relying solely on broad statewide incentives
- Familiar framework: with federal Opportunity Zones already in place, there is a model to build from—though not without lessons learned

Key Questions Moving Forward

As discussions evolve, several issues will shape whether—and how—Hope Zones move forward:

- How zones are designated: criteria for eligibility will determine which communities benefit and how broadly the program is applied
- Accountability and outcomes: lawmakers are likely to focus on measurable impact, particularly given ongoing scrutiny of economic development incentives
- Interaction with existing programs: coordination with tools like SOAR and other state incentives will be critical to avoid duplication or fragmentation
- Local engagement: the role of local governments and community stakeholders will influence both project success and political support

What to Watch

- Bill introductions or reintroductions outlining a formal Hope Zone framework
- Committee activity as lawmakers begin to vet structure and scope
- Stakeholder input, particularly from local governments, developers, and economic development organizations
- Alignment with budget discussions, especially if incentives carry fiscal implications

Bottom Line

Hope Zones represent a familiar but evolving approach to economic development in Michigan—one that reflects a broader shift toward targeted, place-based investment strategies.

As interest builds, the key question will be whether policymakers can balance flexibility and incentives with accountability and measurable outcomes.

Other Issues Percolating in Lansing

Earned Sick Time / Minimum Wage Implementation

Michigan is still working through the policy and legal aftershocks of changes to wage and leave laws stemming from court rulings and subsequent legislative action.

Why it matters:

- Ongoing rulemaking and potential legislative “cleanup” could affect compliance timelines
- Employers remain uncertain about how provisions are enforced in practice
- Advocacy pressure continues on both sides for further revisions

Energy & Permitting (Siting, Transmission, Renewables)

Implementation of last term’s major energy laws is now where the real action is—particularly around siting authority and permitting processes.

Why it matters:

- Local vs. state control tensions are surfacing
- Projects are hitting real-world friction (zoning, community opposition, timelines)
- Expect legislative oversight and possible adjustments

Economic Development / Incentives Oversight

Programs like SOAR and other incentive tools continue to draw scrutiny as lawmakers evaluate ROI and transparency.

Why it matters:

- Increased calls for reporting, accountability, and guardrails
- Potential changes to how deals are structured or approved
- Broader philosophical divide on incentives is still very much alive

Insurance & Auto Reform Follow-Ups

Michigan’s auto no-fault reforms continue to generate legislative and legal activity—particularly around provider reimbursement and coverage access.

Why it matters:

- Ongoing litigation and legislative tweaks could shift costs again

- Healthcare providers and insurers remain in conflict
- Clients in health, insurance, and employer spaces should stay engaged

Housing & Local Zoning Reform

Housing supply and affordability remain a growing bipartisan concern, with discussions continuing around zoning, density, and development barriers.

Why it matters:

- Early-stage conversations could turn into legislation later this year
- Potential implications for local governments and developers
- Likely to intersect with infrastructure and economic development discussions

Public Safety & Criminal Justice Tweaks

Targeted bills—rather than sweeping reform—are moving, including issues tied to sentencing, juvenile justice, and law enforcement tools.

Why it matters:

- These bills often move quietly but quickly
- Can become politically charged depending on framing
- Intersection with election-year messaging is likely

Education Implementation (Literacy, Accountability, Funding Models)

Following major investments, lawmakers are now focused on implementation—especially around literacy initiatives and school performance.

Why it matters:

- Oversight of outcomes is increasing
- Funding formulas and accountability measures may be revisited
- Ties directly into ongoing budget negotiations

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Healthcare Workforce & Access

Workforce shortages—especially in behavioral health and direct care—continue to drive policy conversations.

Why it matters:

- Potential for targeted funding or policy fixes
- Strong overlap with budget (rates, reimbursement, workforce pipelines)
- High stakeholder engagement and advocacy pressure

Bottom Line

While the budget dominates headlines, a number of policy issues are steadily advancing in the background—many of which could move quickly once budget negotiations stabilize.

