

# KAROUB

## ASSOCIATES

## KAROUB REPORT

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### MI House Advances Controversial Budget Bills; Negotiations Begin

The Michigan House moved forward at the end of August with its version of the state budget, approving a plan that reduces funding across most state departments and agencies. While the contours of the debate are familiar, the timing stands out—typically, such proposals emerge in April. This year, however, lawmakers are entering September before the House majority placed its full proposal on the table.

The House plan totals \$54.6 billion, with \$12.09 billion from the state's General Fund. A handful of areas—including the Executive Office, Legislature, Auditor General, Military and Veterans Affairs, and Transportation—would avoid reductions. Most other departments, however, would see varying levels of cuts.

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Significant changes include:

- A \$3.1 billion increase in road funding (roughly 50 percent more than last year).
- Eliminating more than 4,000 unfilled state positions.
- Adjustments to Medicaid, public health, and human services funding.
- Reductions to agencies such as the Department of Attorney General, Department of Environment, Great Lakes and Energy, and the Department of Labor and Economic Development.

The House proposal passed 59-45, with one Democrat joining Republicans in support. Coupled with previously advanced education budgets, the House spending plan totals nearly \$79 billion, compared to \$84.6 billion in the Senate and \$83.5 billion in the governor's executive recommendation.



The action comes well past the July 1 statutory deadline for having a budget signed into law. Still, negotiations now move into their more familiar phase, with House and Senate leaders and the governor's office working to reconcile differences and deliver a final plan before the start of the new fiscal year on October 1.

While the late timing is unusual, the process itself is not. Each year's budget cycle involves competing priorities, line-by-line adjustments, and often competing claims of transparency and efficiency. What's different this year is simply the calendar: lawmakers are entering the final month of the fiscal year before engaging in the budget tradeoffs that usually begin in spring.

## Maleyko Looks Solid on Superintendent Post

The State Board of Education has voted to offer the superintendent position to Dearborn Public Schools leader Glenn Maleyko. He has led Dearborn since 2015 and worked in the district for more than 25 years.

Board members praised his experience in a large, diverse district and his statewide connections. Maleyko appears close to accepting the offer, which is contingent on contract talks and a background check, with a final decision expected at the board's September 9 meeting.





## What happens if there's a budget stalemate on Oct. 1? We've got the answers you need.

As budget season intensifies, questions often arise about the possibility of a state government shutdown. In Michigan, these episodes are rare and, when they occur, are typically short-lived.

The state's most notable shutdowns came in 2007 and 2009, both over budget disputes. Each lasted only a matter of hours, with agreements reached shortly after the October 1 start of the new fiscal year. More recently, in 2019, Michigan came close to a shutdown before a last-minute budget deal was reached with just hours to spare. In every case, core state functions continued, and disruptions to the public were limited.

What usually happens is that, as the deadline approaches, negotiations between the governor and legislative leaders intensify. Even if the process appears stalled, compromise tends to materialize just before—or shortly after—the deadline. In practice, shutdowns are generally viewed as political pressure points rather than long-term disruptions.

**Looking ahead to this fall, many observers see the risk of a shutdown as low.** While House Republicans and Democrats in the Senate and governor's office are far apart on spending priorities, there is a broad expectation that the parties will reach an agreement before prolonged disruptions occur. Most believe, as in years past, that if a shutdown were to happen at all, it would likely be brief.



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## Michigan Is Turning the Page on Population Decline—Young Talent Is Leading the Comeback

After years of shrinking populations, Michigan is beginning to see growth again—and the credit largely goes to young professionals and recent graduates choosing to stay or move here. Between 2020 and 2024, the state gained more than 67,000 residents, reversing a long-standing trend of losses in major metro areas like Detroit and Flint.

Job opportunities and economic diversity are drawing people back. Detroit now ranks as the nation's second-fastest-growing startup ecosystem, and fields like clean energy and defense are hiring aggressively.

Michigan's population rebound reflects more than just numbers. It signals a renewed belief in the state's potential—driven by skilled young professionals, innovation in mobility and energy, and smart talent strategies.

This isn't a one-off pause in decline—it's a launchpad. If current trends hold, Michigan could be transitioning from comeback story to growth powerhouse.

## Whitmer Sets Special Election for SD-35 After Delay

Gov. Gretchen Whitmer has called a special election to fill the vacant 35th Senate District seat, left open when former Sen. Kristen McDonald Rivet (D-Bay City) joined Congress on Jan. 3.

The primary will be held Feb. 3, 2026, with the general set for May 5 to coincide with local elections. Candidates have until Sept. 30 to file.

The timing has drawn attention. The announcement came 238 days after the vacancy began, the longest gap on record for a Michigan legislative special election. The 487-day span between the seat opening and the eventual general election will also be the longest since the state adopted a full-time legislature in the 1960s. By comparison, past governors have typically acted within weeks, with the previous record delay at 108 days.

The prolonged vacancy has been particularly notable given the Senate's current 19-18 Democratic majority. A Republican win in SD-35 would create a 19-19 split, complicating Democrats' ability to advance legislation. Rep. Bill G. Schuette (R-Midland) is widely viewed as a potential frontrunner if he enters the race, though Rep. Tim Beson (R-Bay City) is also considering a bid. On the Democratic side, announced candidates include State Board of Education President Pamela Pugh, Saginaw Fire Capt. Chedwick Greene, and Saginaw County Democratic Chair Brandell Adams.

Political strategists note that the May 5 election date falls just before the April 21 filing deadline for the 2026 cycle, creating additional calculations for sitting legislators who may run. Republicans criticized the delay as politically motivated, while Democrats emphasized recent special election gains and expressed confidence in holding the seat.

The unusually long wait has already spurred litigation, with a lawsuit filed on behalf of district voters arguing the Governor's delay denied residents representation.

