



Public Sector Reports

Michigan ROUNDUP

Legislative Week in Review

- A surprise state court of appeals ruling has obliterated at least temporarily the Michigan House Democrats' property tax relief plan. While agreeing with a lower court ruling that the state's Single Business Tax discriminates against out-of-state firms, the appeals court expanded application of a contested deduction rather than, as expected, eliminating it altogether. This ruling could cost Michigan about \$500 million in lost revenues. If the lower court ruling had stood, Democrats had planned on using \$500 million from elimination of the controversial loophole to finance their version of a homeowners' property tax relief plan. Observers agree that the state supreme court will be asked to review the case.
- Although both sides continued to meet through the week, state budget talks are stalemated, the Associated Press reported on Thursday. "I'd say they've broken down," is Budget Director Patti Woodworth's appraisal of negotiations, and Senate Appropriations Committee Chair Harry Gast (R-St. Joseph) agrees: "There's absolutely no progress."
- With compromise efforts languishing on the state's projected current year deficit, deep budget cuts in day care, welfare, and Medicaid were announced Wednesday by Department of Social Services Director Gerald Miller in response to the legislatively ordered 9.2 percent reductions. On March 16, following the layoff of the staff that currently reviews day care, Michigan will become the only state that does not monitor and license these facilities, reports the *Detroit Free Press*. Welfare checks will be reduced by 17 percent beginning late this month, and by August the state will be forced to withdraw from the federal-state Medicaid program for lack of funding.
- Reactions to the federal budget proposed by President Bush and its implications for Michigan split mainly along party lines this week. "More bad than good for Michigan," was how Rep. Dale Kildee, Flint Democrat and House Budget Committee member, characterized the \$1.4 trillion budget for the *Detroit News*. Governor John Engler praised Bush's proposal to turn control of \$15 billion in federal programs over to the states.
- A bill extending early retirement eligibility to about 14,000 state employees whose age and years of service add up to 65 was introduced in the House this week. Backers hope the measure would reduce both the current budget deficit and the accompanying need to contemplate widespread layoffs by saving the state up to \$30 million. Retirement experts caution that the saving is unlikely to be more than \$6-10 million in a single year, however.

Political News

- Governor Engler surprised many with the timing, if not the content, of his proposal to let families send their children to schools outside their own district. School choice was an Engler campaign theme, although many educators and others seemed caught off guard by Engler's comments about cross-district schooling made in a *Detroit Free Press* interview. Representatives of the Detroit Urban League and the Detroit chapter of the NAACP have criticized the proposal, which Engler says will be described in detail in April.
- Freshman U.S. Rep. Barbara Rose Collins has turned herself in to federal election officials for an inadvertent violation of campaign laws during her congressional race last fall. Collins already has repaid the \$61,000 in questionable campaign loans, according to the *Detroit News*; she says she took the unusual action of filing a complaint against herself with the Federal Election Commission "as a way of letting them know that what I had done was not according to the regulations."
- Michigan Republican Party chair Spencer Abraham has been named co-chair of the National Republican Congressional Committee, a group dedicated to assisting the election of GOP members to Congress. Michigan Rep. Guy Vander Jagt, recently reelected congressional co-chair of the group, applauded the appointment of Abraham, currently deputy chief of staff to Vice President Quayle. Abraham has been mentioned as a possible chair of the national GOP in 1996 or a possible Michigan U.S. Senate candidate in 1994.
- The state's worsening labor market may soon qualify its jobless for extended unemployment benefits, according to the U.S. Labor Department. In states with an unemployment rate for insured workers of at least 5 percent, an extra 13 weeks of benefits are provided to jobless workers who have exhausted their standard 26 weeks of benefits. According to a Gannett News Service report, Michigan's current jobless rate on this index is 3.81 percent, and estimates are that Michigan may reach 5 percent by March.
- Michigan's budget woes are squeezing state arts groups, to varied effect. With its funds frozen by gubernatorial executive order, the Michigan Association of Community Arts Agencies will close after 14 years. Meanwhile, the Founders Society of the Detroit Institute of the Arts sponsored a full-page ad in Monday's *Lansing State Journal* urging rejection of the governor's cuts in the arts. Virtually all cultural groups are trimming staff and programs and raising ticket prices to offset lost state support.