

## Michigan ROUNDUP

February 14, 1992

### *The 1992-93 Budget*

- The general fund/general purpose (GF/GP) budget recommendation for FY 1992-93 is \$7,928 million, a **3.8 percent increase** above projected spending for the current fiscal year. This compares with an estimated decline of 1.5 percent in the FY 1991-92 budget. (For details see reverse.) Total spending is recommended at \$21,191.3 million, a 3 percent increase.
- On the surface the governor's FY 1992-93 budget appears to be a continuation budget, with a **further downsizing** of government. For example, a reduction of 4,700 positions is recommended, although many of these will be cut through attrition and the elimination of unfunded vacancies. The budget, however, does include significant new initiatives in K-12 education and substantial increases in funds for human services, corrections, and state police.
- The initiatives and increases are achieved by **reducing capital outlay** expenditures and recommending no increases in the higher education budget and few in general government budgets. However, before this spending plan can be finalized, the governor and the legislature must reach agreement on a plan to eliminate a current year potential deficit that Public Sector Consultants estimates at about \$700 million (including \$90 million carried over from FY 1990-91).
- Public Sector Consultants characterized last year's budget as an education and tax relief budget. This budget is more difficult to categorize. It is to some degree a **hold-the-line budget**, driven largely by increases in costs for Medicaid, state employee and teacher retirement and health care, and new prisons.
- The most **controversial recommendations** in the budget are likely to be those for education. In school aid, the governor is proposing to shift resources from out-of-formula school districts to in-formula districts by eliminating social security and several smaller categorical payments and allocating the money to the membership formula. This provides no new money overall but will increase the state guarantee by 7.7 percent for districts levying 34 mills. Although these in-formula districts must pick up the cost of social security from their membership grant, most will be winners.
- The net loss for **out-of-formula districts** will be about \$100 million (after elimination of recapture provisions), and the loss for any district will be limited to 5 percent. Governor Engler also indicated his willingness to discuss the repeal of the tax base sharing law enacted last year, which transfers monies from richer to poorer districts. In addition, the governor is recommending the elimination of the automatic appropriation for school aid when restricted revenues fall below estimates. However, several key legislators indicated that this proposal has little chance of approval.
- There also will be considerable pressure to provide more funds for colleges and universities, which in total receive **almost no increase** from the current fiscal year. Lawmakers are concerned about the effect this will have on tuition.
- Unlike last year the budget recommends **relatively large increases** for human services (social services, health and corrections): \$223 million, or 5.5 percent. Much of this money is allocated for higher health costs, increased caseloads, federal requirements, and new prisons.
- The only other department receiving a substantial increase in operational funds is **State Police**, up \$11.8 million, or 6.2 percent. Part of the increase will be used to hire 75 civilian radio dispatchers to free 60 troopers for patrol duty.

*This summary was prepared by Senior Economist and Vice President Robert Kleine, who may be contacted for additional information at 517/484-4954.*

### *Legislative News*

- The first no-fault **auto insurance reform bill** since the dissolution of a conference committee last session was introduced in the House this week. HB 5499 would require all Michigan insurers to cut basic rates by 20 percent and freeze costs of basic coverage for one year. The state's essential insurance act was to expire at the end of last year, but lawmakers extended its sunset to March 31 when they failed to reach consensus on a replacement.
- Legislative leaders have agreed on a **budget timetable** that would bring conference committee reports on budget appropriations to the chamber floors by June 12.

### *Political News*

- In 1989 Michigan's **state employee wages** were fifth highest in the nation, according to a report on the classified and civil service presented to the legislature by Governor Engler. Average state employee compensation for 1992-93—including benefits and reflecting an agreed-on wage freeze—is \$49,306, the report states.

**General Fund/General Purpose Executive Budget Summary,  
FYs 1990-92, 1991-92, and 1992-93  
(millions)**

| Department or<br>Program                    | FY 1990-91<br>Expenditures | FY 1991-92<br>Projected<br>Expenditures | FY 1992-93 Budget<br>Recommendation | Dollar Change from<br>FY 1991-92<br>(projected<br>expenditures) | Percent Change<br>from FY 1991-92 |
|---|----------------------------|---|-------------------------------------|---|-----------------------------------|
| <b>Human Services</b>                       |                            |   |                                     |   |                                   |
| Social Services                             | \$2,390.1                  | \$2,140.8                               | \$2,235.5                           | \$94.7  | 4.4%                              |
| Mental Health                               | 888.0                      | 909.7                                   | 959.0                               | 49.3  | 5.4                               |
| Public Health                               | 147.5                      | 137.6                                   | 146.0                               | 8.4   | 5.7 <sup>a</sup>                  |
| <b>Education</b>                            |                            |   |                                     |   |                                   |
| State Universities                          | 1,248.6                    | 1,295.6                                 | 1,299.0 <sup>b</sup>                | 3.4   | 0.3                               |
| Operations                                  | 1,154.7                    | 1,199.4                                 | 1,202.7 <sup>b</sup>                | 3.3   | 0.3                               |
| Financial Aid                               | 93.9                       | 96.2                                    | 100.9                               | 4.7   | 1.7                               |
| School Aid                                  | 929.7                      | 948.7                                   | 1,032.6                             | 83.9  | 8.8                               |
| Community Colleges                          | 223.2                      | 241.1                                   | 238.0                               | -3.1  | 0.0 <sup>a</sup>                  |
| Education                                   | 50.3                       | 41.0                                    | 38.9                                | -2.1  | -5.1                              |
| <b>Safety and Defense</b>                   |                            |   |                                     |   |                                   |
| Corrections                                 | 808.1                      | 866.6                                   | 937.1                               | 70.5  | 8.1                               |
| State Police                                | 189.5                      | 191.3                                   | 203.1                               | 11.8  | 6.2                               |
| Military Affairs                            | 14.4                       | 27.3                                    | 27.8                                | 0.5   | 1.8                               |
| <b>Regulatory</b>                           |                            |   |                                     |   |                                   |
| Commerce                                    | 97.4                       | 57.5                                    | 62.1                                | 4.6   | 4.2 <sup>a</sup>                  |
| Labor                                       | 42.7                       | 31.0                                    | 32.3                                | 1.3   | 4.2                               |
| <b>Natural Resources<br/>and Recreation</b> |                            |   |                                     |   |                                   |
| Natural Resources                           | 107.9                      | 98.6                                    | 93.1                                | -5.5  | -5.6                              |
| Agriculture                                 | 31.5                       | 27.0                                    | 27.0                                | 0.0   | 0.0                               |
| <b>General Government</b>                   |                            |   |                                     |   |                                   |
| Management and<br>Budget                    | 65.7                       | 50.8                                    | 47.9                                | -2.9  | -5.7                              |
| Legislature                                 | 79.0                       | 89.7                                    | 89.7                                | 0.0   | 0.0                               |
| Judiciary                                   | 108.3                      | 114.7                                   | 114.7                               | 0.0   | 0.0                               |
| Treasury                                    | 34.8                       | 53.0                                    | 60.4                                | 7.4   | 14.0                              |
| Attorney General                            | 22.7                       | 24.0                                    | 24.0                                | 0.0   | 0.0                               |
| State                                       | 17.1                       | 19.6                                    | 15.1                                | -4.5  | -14.2 <sup>a</sup>                |
| Civil Service                               | 13.0                       | 12.4                                    | 12.3                                | -0.1  | -0.8                              |
| Civil Rights                                | 10.6                       | 10.9                                    | 11.1                                | 0.2   | 1.8                               |
| Executive Office                            | 3.9                        | 4.3                                     | 4.3                                 | 0.0   | 0.0                               |
| Library of Michigan                         | 24.6                       | 27.5                                    | 27.4                                | -0.1  | -0.4                              |
| <b>Other</b>                                |                            |   |                                     |   |                                   |
| Capital Outlay                              | 180.9                      | 194.2                                   | 147.4                               | -46.8   | -24.1                             |
| Debt Service                                | 24.8                       | 24.6                                    | 37.6                                | 13.0  | 52.8                              |
| <b>TOTAL</b>                                | <b>\$7,754.3</b>           | <b>\$7,639.4</b>                        | <b>\$7,928.0</b>                    | <b>\$288.6</b>  | <b>3.8%</b>                       |

SOURCE: *State of Michigan Executive Budget, 1991-92 Fiscal Year*. Calculations by Public Sector Consultants, Inc.

NOTE: Dollar and percentage changes for FY 1992-93 differ slightly from figures in budget document due to rounding.

<sup>a</sup>Adjusted for transfer of \$2 million Grand Rapids Museum grant from Department of State to Department of Commerce transfer of EPSDT administration from Department of Social Services to Department of Public Health, and transfer of \$3.1 million Tuition Incentive Program from Community Colleges to Financial Aid.

<sup>b</sup>Includes \$4 million for restoration of retirement monies vetoed in FY 1991-92 budget.