



Public Sector Reports

Michigan ROUNDUP

....The legislature returned from summer recess this week with action on the FY 1987-88 budget as its top priority. The House passed three vehicle budget bills, one for K-12 school aid, one for the Department of Education, and one including all other budgets. Each will be adjusted when final figures are negotiated. The bills were passed in response to the governor's summer vetoes and are intended to restore some of the vetoed funds. The Senate Appropriations Committee reported out a similar vehicle bill as well as an unclassified salaries bill that would reduce departmental unclassified salaries to FY 1986-87 levels plus 5 percent. In addition, the conference committee on the Corrections budget reached an agreement, which includes GF-GP expenditures of \$561.3 million, up 16 percent over the current budget and \$24.3 million, or 4.5 percent, higher than the governor's recommendation.

....Rather than roll back the income tax rate, the governor and legislative leaders have agreed tentatively to an increase in the personal income tax exemption effective October 1. The higher exemption is contingent on an agreement to increase taxes on insurance companies in order to replace insurance premium tax revenue (\$162 million in FY 1986-87) lost due to a recent court of appeals ruling. The size of the tax hike is still under debate because much of the lost revenue could be replaced by revenues from the retaliatory tax (a tax on an out-of-state company equal to the tax a Michigan insurer would pay in that insurer's home state).

....The speed limit will rise to 65 mph on rural interstate highways and violators will receive stiffer penalties and pay higher fines under a tentative agreement between the governor and state lawmakers. A Senate bill implementing the plan is expected to be introduced next week.

....Raising the sales tax to 6 percent and reducing the property tax by as much as 40 percent will reduce school financing inequities and improve education opportunities, according to a final report of the 42-member Michigan School Finance Commission. To implement the plan, the legislature must approve by a two-thirds vote legislation that would place the plan on the 1988 general election ballot for voter approval. The commission's recommendations face an uncertain future in the legislature because there is no consensus on the best method to reform school financing. The plan would reduce appropriations to more affluent school districts by limiting school property taxes to 25 mills. The average in each district is 32 mills, and some levy over 40 mills. "I have a hard time believing that type of report will get through the legislature," said House Speaker Gary Owen in the Detroit Free Press.

....The Antitrust Division of the U.S. Department of Justice stated that the Detroit Free Press is not a failing paper and recommended that a joint operating agreement between the Free Press and the Detroit News be denied. A U.S. administrative law judge will consider briefs from the papers and the Antitrust Division and make a recommendation to U.S. Attorney General Edwin Meese III, probably by the end of the year. Meese will make a decision, which may be challenged in federal courts.

....State Senator Lana Pollack, a Democrat from Ann Arbor, has entered the race to unseat Republican U.S. Representative Carl Pursell in Michigan's second congressional district. In the primary, Pollack will face the 1986 second district Democratic candidate Dean Baker and possibly State Treasurer Robert Bowman. Bowman may not make a campaign decision until early November.