

Michigan **ROUNDUP**

October 3, 1991

THE 1991-92 BUDGET IN REVIEW

With many lawmakers holding tickets for Saturday's Michigan-Florida State football game, the legislature launched a final push Friday, laboring until after midnight to pass an FY 1991-92 budget 72 hours before the beginning of the new fiscal year. Public Sector Consultants Economist Frances Spring prepared the following summary of a spending plan that reflects the greatest change in government priorities in decades. Roundup will return to its usual format next week.

- The budget agreement sets total **general fund spending** at \$7.698 billion, 2.5 percent below FY 1990-91 year-to-date appropriations and 2.5 percent above the governor's revised recommended budget (see table on reverse).
- After adjusting for interdepartmental program transfers, FY 1991-92 **variations in individual budget areas** range from 44 percent below FY 1990-91 appropriations (in the Department of Commerce) to 17.2 percent above last year's spending level (for Treasury operations, which excludes debt service). Other than Commerce, cuts from FY 1990-91 appropriations were made in the departments of Social Services, Civil Rights, Agriculture, Education, and Civil Service and for debt service. Other than Treasury, the largest increases are for capital outlay and in the legislative and executive budgets.
- The large increase in the **Treasury** budget was due to one-time spending increases to cover the cost of the presidential primary and to make repayments to the veteran's trust fund.
- As has been the case throughout the year's budgetary process, the main point of contention was spending within the **Department of Social Services (DSS)**. After the House and Senate failed to reach agreement on the DSS budget in conference committee, the governor's originally proposed budget was submitted as an alternative conference report. Legislative Democrats gambled that their Republican colleagues would not approve the governor's plan, which cuts Medicaid more deeply than either legislative chamber's version. By early Saturday morning, however, the budget passed both the Senate (on a 20-16 vote) and the House (55-50) and made its way to the governor's desk for signature. The *Detroit Free Press* characterized the debate as "political anguish" resulting in a final plan that "snips large holes in a safety net that took decades to weave." As expected, the General Assistance Program was eliminated for single adults, for a savings of approximately \$247 million. On Wednesday, the Senate Appropriations Committee approved HB 4605, the State Work Advancement Program (SWAP), amending it to restore up to \$84.6 million in cuts to DSS, primarily in the Medicaid program. The SWAP program would receive \$165 million from the budget stabilization ("rainy day") fund. While not introduced as a supplemental appropriations bill, the legislation will have that effect if supported by the full Senate and approved by the House.
- The **school aid** budget does not include any plans for property tax relief. The tax base sharing plan was included, however. One of the results of the latter is a \$12-million decline in state recapture payments from out-of-formula districts; this, coupled with a higher than predicted increase in property tax revenues (for school operating purposes), resulted in GF school aid rising by only 2 percent over year-to-date appropriations. On average, however, in-formula districts can expect a 4.7 percent rise in school aid.
- Appropriations levels for **community colleges and higher education** incorporate the transfer of funding for tuition payments from DSS to community colleges for the Tuition Incentive Program. The governor earlier had recommended that the program be included in the higher education budget, but during the budget process it was moved to community colleges; administration of the program will remain in DSS. Adjustments also were made in both budgets' FY 1990-91 appropriations to reverse the effect of payment delays instituted early last summer. Also included in the higher education budget was a recommendation by the legislature that each university increase spending on needs-based tuition grants at the same rate as tuition and fees.
- The budgets are now being evaluated by Governor Engler and his staff. The governor has two weeks from the day that they were submitted to take action on the bills; vetoes in some budget areas are likely.
- For questions about the budget or to request a copy of any of the bills, contact PSC Economist Frances Spring or Vice President and Senior Economist Robert Kleine at 517/484-4954.

Summary of Michigan's FY 1991-92 General Fund/General Purpose Budget
(dollars in millions)

Department	FY 1990-91 Year-to-Date Appropriations	FY 1991-92 Governor's Revised Recommendations	FY 1991-92 Enrolled	Percentage Change Enrolled From	
				Year-to-Date Appropriations	Governor's Recommendations
Mental Health	\$888.0	\$898.8	\$923.3	4.0%	2.7%
Public Health	136.4	133.6	141.0	3.3	5.5
Social Services	2,482.2	2,094.0	2,094.0	-15.6	0.0
HUMAN SERVICES	3,506.6	3,126.4	3,158.3	-9.9	1.0
Education	45.5	43.2	43.2	-5.2	-0.1
Community					
Colleges	225.6	235.2	241.1	6.9	2.5
Higher Education	1,249.7	1,299.0	1,300.5	4.1	0.1
K-12 School Aid	951.9	972.8	971.0	2.0	-0.2
School Retirement	14.3	14.3	14.4	0.7	0.9
EDUCATION	2,487.1	2,565.0	2,570.0	3.3	0.2
Attorney General	22.7	22.7	24.0	5.9	5.7
Civil Rights	12.0	9.3	10.9	-8.5	17.6
Civil Service	13.0	13.0	12.4	-4.6	-4.3
Debt Service	24.8	25.7	24.6	-0.9	-4.3
Executive	3.9	3.9	4.3	9.7	11.0
Judiciary	108.3	108.3	114.7	5.9	5.9
Legislative	82.1	82.1	90.2	9.9	9.9
Library	25.9	26.9	27.4	5.8	1.9
MANAGEMENT AND BUDGET	54.8	50.5	57.8	5.4	14.4
State	19.2	14.9	20.2	5.2	35.4
Treasury	45.4	52.8	53.3	17.2	0.9
GENERAL GOVERNMENT	412.1	410.1	439.8	6.7	7.2
Commerce	109.5	29.2	61.4	-44.0	110.2
Labor	43.4	18.8	39.9	-8.2	112.0
Licensing and Reg.	0.0	0.0	0.0	NA	NA
REGULATORY	152.9	48.0	101.2	-33.8	110.9
Corrections	808.1	835.8	867.2	7.3	3.8
Military Affairs	25.8	25.2	27.7	7.6	10.0
State Police	189.5	177.1	197.4	4.2	11.4
SAFETY AND DEFENSE	1,023.4	1,038.1	1,092.3	6.7	5.2
Agriculture	30.4	26.2	28.3	-6.8	8.2
Capital Outlay	175.0	197.2	200.0	14.3	1.4
Natural Resources	107.9	98.4	108.0	0.1	9.8
ALLOTHERS	313.2	321.8	336.3	7.4	4.5
TOTALS	\$7,895.3	\$7,508.9	\$7,698.2	-2.5%	2.5%