



Public Sector Consultants, Inc.

## Michigan ROUNDUP

....The final FY 1987-88 budget remains up in the air although the Blanchard administration agreed to treat as separate issues a tax rollback, the FY 1987-88 budget, and higher taxes on domestic insurance companies. The House Appropriations Committee approved a transfer of \$34.3 million from Medicaid accounts not affected by the governor's July vetoes. This money would be used to make approximately two weeks' overdue payments to hospitals and pharmacies and all overdue payments to foster care providers. The Senate Appropriations Committee rejected the House transfer but approved a similar plan that was agreed to by Representative Jacobetti, chair of the House Appropriations Committee. State payments are being mailed this week. This action only will alleviate the problem for two weeks.

....A conference committee negotiated this week on SB 8, which would raise the personal exemption on the state income tax. The latest plan would raise the personal exemption from \$1,500 to \$1,600 in the 1987 tax year, to \$1,900 next year, and to \$2,000 in 1989. This plan would result in a \$62 million tax increase in 1987 due to federal tax reform and a probable surplus in the 1986-87 budget. Debate in the conference committee has centered on whether to index the exemption to inflation. Senate Republican conferees favor automatic annual adjustment of the exemption for inflation, but the House opposes that part of the plan.

....State Treasurer Robert Bowman and Senate Majority Leader John Engler discussed taxation of domestic insurance companies, but no agreement was reached.

....Speaker Gary Owen expects the 1987 House session to end between December 15 and 20.

....According to the Detroit News, Michigan stands to lose about \$131.8 million in federal grants and an additional \$67.5 million in payments to federal program recipients if an agreement to reduce the federal budget deficit is not reached before November 20. That is the date mandatory budget cuts required under the Gramm-Rudman-Hollings deficit reduction act will take effect. Revenue losses to Michigan, if agreement is not reached, will include: highway funds, \$24.1 million; subsidized housing grants, \$19.6 million; college tuition grants, \$15.2 million; social services, \$9.1 million; and Medicare, \$5.2 million. The cuts would be spread over three fiscal years.

....A Senate Fiscal Agency report released Tuesday states that 456 state classified employees have higher salaries than their department directors. Most of those employees, 344, are physicians, psychiatrists, or dentists. The Department of Mental Health had the highest number of employees, 261, earning more than their director, and the Department of Corrections, with 65, ranked second. The report said that the number of classified employees earning more than their director has increased by 73.8 percent over the last five years.

....The Michigan Democratic party is targeting a media and direct mail advertising campaign at the constituents of five House Republican representatives who voted against an in-state insurance company premium tax. If Democrats succeed in angering taxpayers enough, the lawmakers' votes against the premium tax could come back to haunt them in 1988.

....Governor Blanchard has reappointed Herman Coleman as commissioner of insurance. Coleman's four-year appointment will expire on October 11, 1991.