

A Matter of Priorities: A Guide to the State Budget

EXECUTIVE SUMMARY

THE NEED FOR A PUBLIC VOICE IN THE STATE BUDGET

Over the last decade, in response to economic shifts and an increasingly outdated state revenue system that can no longer raise the funds needed to fund basic services, Michigan lawmakers made deep budget cuts that put strains on public schools, reduced access to basic income supports for children living in poverty, made college less affordable for thousands of young people, and reduced public safety by forcing cuts in police and fire protection.

Never has there been a greater need for Michigan residents to engage with their lawmakers to influence the budget decisions that will affect the quality of life for their families and children for years to come, yet it seems that the budget process is becoming less transparent, with too many decisions made behind closed doors. The annual state budget is the single, most powerful expression of the state's priorities, yet there are many barriers to public engagement, including a lack of familiarity with the budget-setting process and inadequate access to timely information about the budget issues and proposals under debate.



THE BUDGET PROCESS AT A GLANCE

The Executive Budget: Early each year, usually in the beginning of February, the governor presents his or her proposed budget for the upcoming state fiscal year, which begins on Oct. 1 and ends on Sept. 30 of the following year.

Budget



Briefs

Legislative Action: In Michigan, many of the details of the final budget are worked out in the House and Senate Appropriations Committees and Subcommittees. After the release of the governor's proposed budget, Appropriations Subcommittees—focused on specific budget areas such as human services, K-12 education, community health and higher education—debate the budget bills and generally accept public testimony, making this an ideal time for public input.

After approval by the full Appropriations Committees, the bills move to the floor of the House and Senate for approval. Differences between the House and Senate versions are then worked out in joint House/Senate Conference Committees, typically in May after an assessment of available revenues. The decisions made by the Conference Committees must be approved by the full House and Senate, but cannot be amended.

Final Executive Action: Upon receiving the final budgets approved by the Legislature, the governor has 14 days to approve or veto them. Michigan's governor also has a "line item" veto, meaning he can veto a specific line in the budget, a decision that can only be overridden by a two-thirds vote of the House and the Senate—a rare occurrence. Also, because the Michigan budget must be balanced each year, the governor is required to cut the budget through an Executive Order if revenues fall below projections.

WHERE THE MONEY COMES FROM

There are two sides to every state budget—revenues and appropriations—with the former driving the latter. When revenues fall short, the state has three basic options: (1) raise new revenues; (2) make additional budget cuts; and (3) pursue a balanced approach that includes strategic cuts along with revenue reforms.

Over the last decade, Michigan lawmakers have largely balanced the state budget through budget cuts, along with temporary fiscal measures and a greater reliance on federal funds. More than \$4 of every \$10 in the state budget is now from the federal government. Many state departments are heavily dependent on federal funding, including the Department of Human Services (83%) and the Department of Community Health (65%). State funding—including the state’s General Fund and state revenues that are restricted for such purposes as K-12 education and transportation—have not kept pace with inflation, and dropped precipitously during the Great Recession.

WHERE THE MONEY GOES

Nearly three-quarters of total state spending is used to support services through three state departments: the Michigan Department of Community Health (31.2%), K-12 education and the Michigan Department of Education (27.5%), and the Department of Human Services (13.5%). At \$15 billion, the budget for the Department of Community Health is the largest state budget, with state funding growing by 53% over the last decade, largely because of the growth in Medicaid caseloads.

Over the last decade, state spending from state resources increased by only 7%, in the face of an increase in the cost of living of 21%. Virtually all major state departments—with the exception of the Departments of Community Health and Corrections—experienced cuts, with reductions in higher educa-

tion (down 29%), local revenue sharing (25%), human services (7%) and community colleges (5%).

Where the Money Goes: FY 2013 Total Appropriations from Federal and State Funding Sources

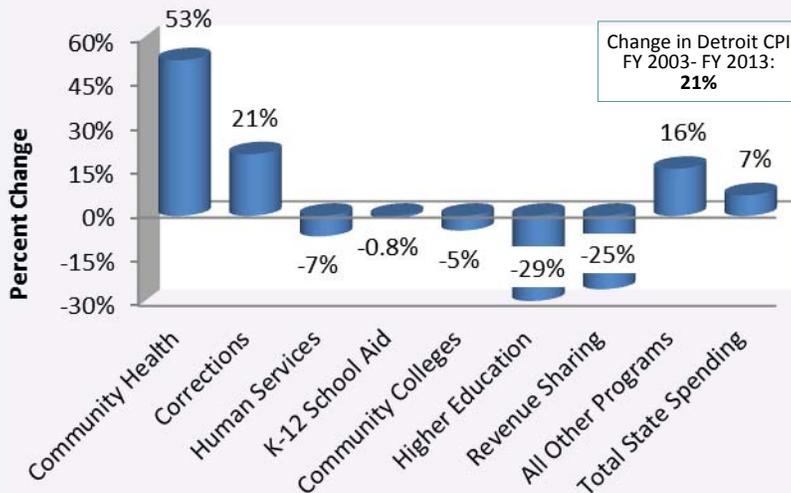
1. Community Health	31.2%
2. K-12 & Department of Education	27.5%
3. Human Services	13.5%
4. Transportation	7.2%
5. Corrections	4.1%
6. Higher Education & Community Colleges	3.5%
7. Local Revenue Sharing	2.3%
8. Other	10.6%

Source: Senate Fiscal Agency
Produced by Michigan League for Public Policy

A CALL TO ACTION ON THE FISCAL YEAR 2014 BUDGET

The fiscal year 2014 budget process is now under way, and public engagement is critical if we want a state budget that reflects the needs and priorities of all Michiganders. Over the last decade, lawmakers carved up the shrinking state revenue pie, creating not only substantial deterioration in the quality of life in this state, but unnecessary competition for inadequate state resources. At the heart of the message for lawmakers during this budget season is that we must enlarge the pie by reforming Michigan’s antiquated revenue system to ensure that there are sufficient revenues to invest in the human and other capital needed to move the state forward.

Percent Change in State Spending (General Fund and State Restricted) FY 2003 to FY 2013



Source: Senate Fiscal Agency
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