

## THE STATE'S FISCAL CRISIS

The state of Michigan faces its most serious financial crisis in many years. Spending proposals exceed all previous limits and are far beyond estimated revenues.

If spending proposals are followed, new tax revenues in substantial amounts are clearly called for. Even moderate pruning will still leave a need for more revenue than current sources will provide.

Nothing short of radical and drastic action can hope to hold the line.

### The Story in Brief

The governor's 1957-58 budget proposes appropriations from the general fund of \$411 million, an increase of 24 per cent over this year's (1956-57) appropriations. To finance this amount, revenues for next year are estimated at only \$336 million. This leaves a revenue gap of \$75 million. Available surplus will probably reduce this to about \$71 million in new revenue needs.

### Expenditure Proposals

Largest proposed increases in the governor's general fund (general purpose) budget are in

a) Education (less aid to public schools)	+	23.7 million	(24.5%)
b) Mental Hygiene	+	14.6 million	(22.5%)
c) Conservation, Recreation & Agriculture	+	4.7 million	(38.8%)
d) Public Safety and Defense	+	3.8 million	(18.6%)
e) Adult Corrections	+	2.3 million	(13.7%)
f) General Government	+	2.0 million	(11.0%)

There are no declines anywhere in major functional expenditures, and capital outlay for next year is proposed in an amount 44 per cent above this year's record appropriation.

## Revenues

Contrasting with the above percentage increases, general fund (general purpose) revenues are estimated to yield next year only 6.1 per cent over the current year's revised estimates.

The contrast with the last completed spending year (1955-56) is even greater. Proposals for spending next year (1957-58) are 48 per cent above corresponding expenditures last year (1955-56). Revenues next year are estimated to be only 17 per cent above actual revenues last year.

## Additional Needs

The governor's budget sought \$411 million in expenditures to be financed out of current revenue resources of \$336 million. On the basis of the governor's spending proposals, the overall picture of the revenue shortage looks like this: -

\$75.0 million shortage on next year's budget (\$411 - \$336 million).

7.5 million known deficiency needs in this year's budget.

14.0 million needed to close the gap between appropriations and estimated  
\_\_\_\_\_ revenues of this year (1956-57).

\$ 96.5 million total revenue deficiency up to June 30, 1958.

25.5 million available surplus from last June 30 (1956).

\$71.0 million approximately, to meet the proposed spending and to break even,  
\_\_\_\_\_ without any further surplus, as of June 30, 1958.

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Tables on the next two pages show 1) SPENDING: - A comparison of corresponding items of 1955-56 expenditures, 1956-57 appropriations, and 1957-58 budget proposals, and 2) REVENUES: - A comparison of budget-estimated revenues for the current year (1956-57) and as estimated for next year (1957-58).

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APPROPRIATED STATE FUNDS

EXPENDITURES, APPROPRIATIONS AND BUDGET PROPOSALS – 1955-56 – 1957-58\*

(In Millions of Dollars)

<u>Fund and Function</u>	<u>Expenditures 1955-56</u>	<u>Appropriations 1956-57</u>	<u>Budget Proposals 1957-58</u>
A. GENERAL FUND - General Purpose			
1) General Government	\$ 13.48	\$ 17.97	\$ 19.94
2) Education (less State School Aid)	73.05	96.61	137.29**
3) Public Health	17.45	17.56	19.09
4) Mental Hygiene	52.26	64.84	79.42
5) Public Welfare	48.24	53.14	56.10
6) Public Safety & Defense	17.20	20.43	24.22
7) Adult Corrections	14.76	16.76	19.06
8) Regulatory Agencies	7.72	8.73	9.25
9) Conservation, Recreation & Agriculture	9.36	12.12	16.83
10) Debt Service & Transfers	24.19	21.52	22.55
11) Fire Protection	—	0.75	1.25
12) Pay Raise (1957-58)	—	—	6.00
Sub-Total, GENERAL FUND - General Purpose	\$ 277.71	\$ 330.42	\$ 411.00
B. RESTRICTED AND OTHER APPROPRIATED FUNDS			
1) Motor Vehicle Highway Fund	\$ 93.45	\$ 96.20	\$ 102.07
2) State Trunkline Fund	76.55	71.76	76.09
3) Highway Construction Fund	22.02	36.16	39.44
4) State Aeronautics Fund	0.78	0.66	0.81
5) Game & Fish Protection Fund	7.60	8.88	9.08
6) Veterans Trust Fund	0.80	0.15	0.15
7) State Waterways Fund	0.34	0.29	0.32
8) State School Aid Fund	200.64	219.42	229.91
9) State Hospital Building Fund	8.76	4.50	—
10) Escheats Fund	0.04	0.05	0.06
11) Korean Bonus Fund	0.12	—	—
Sub-Total, Restricted & Other Funds	\$ 411.10	\$ 438.07	\$ 457.93
C. GRAND TOTAL — ALL APPROPRIATED FUNDS	\$ 688.81	\$ 768.49	\$ 868.93

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\* NOTE: - This table does NOT include General Fund, Special Purpose revenues, which are NOT appropriated annually by the legislature, being authorized by the constitution or statute on a continuing basis. Such revenues are estimated at slightly over \$200 million for 1956-57 and 1957-58.

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\*\* \$17 million of this figure is a proposed general fund grant to the school aid fund.

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Source: State of Michigan Budget, fiscal year ending June 30, 1958.

(SEE OTHER SIDE FOR REVENUES)

COMPARISON OF BUDGET-ESTIMATED REVENUES – 1956-57 AND 1957-58

(By Source and Character)

		<u>In Millions of Dollars</u>	
		1956-57	1957-58
		<u>(Partial Estimate)</u>	<u>(Estimated)</u>
A)	GENERAL FUND — GENERAL PURPOSE REVENUE		
1)	<u>Tax Revenues</u>		
a)	Sales and Use Taxes	\$ 74.66	\$ 79.52
b)	Business Receipts Tax	70.00	75.00
c)	Corporation Franchise Tax	49.50	52.50
d)	Cigarette Excise Tax	27.50	29.00
e)	Intangibles Tax	9.50	11.00
f)	Beer & Wine Tax	7.75	8.00
g)	Horse Racing Tax	6.40	6.85
h)	All Other Taxes	<u>1.87</u>	<u>1.91</u>
	Sub-Total, General Fund, General Purpose, Tax Revenue	\$ 247.18	\$263.78
2)	Revenue From Other Funds*	41.52	42.39
3)	Patients, Convicts & State Enterprises	9.88	11.38
4)	Regulatory Revenue	6.80	6.98
5)	Federal Aid Revenue	0.46	0.48
6)	Miscellaneous Revenues	<u>10.53</u>	<u>10.78</u>
	Sub-Total, General Fund, General Purpose Revenue	\$ 316.36	\$335.78
B)	GENERAL FUND — SPECIAL PURPOSE REVENUE		
1)	<u>Tax Revenues</u>		
a)	Sales Tax	\$ 54.17	\$ 57.48
b)	Specific Taxes	45.72	45.92
c)	Intangibles Tax	13.52	13.49
d)	Horse Racing	<u>1.35</u>	<u>1.45</u>
	Sub-Total, General Fund, Special Purpose, Tax Revenue	\$ 114.76	\$118.33
2)	Federal Aid Revenue	63.62	64.09
3)	Regulatory Revenue	8.77	8.87
4)	Revenue from Other Funds	5.73	6.13
5)	Miscellaneous Revenues	<u>9.09</u>	<u>8.09</u>
	TOTAL - General Fund, Special Purpose Revenues	<u>\$ 201.97</u>	<u>\$205.50</u>
	GRAND TOTAL — GENERAL FUND REVENUE	\$ 518.33	\$541.29
C)	RESTRICTED FUNDS		
1)	<u>Highway Funds</u>		
a)	Tax Revenue	\$ 204.69	\$213.63
b)	Federal Grants	33.77	50.32
c)	Fees & Other Revenues	<u>5.29</u>	<u>5.39</u>
	Sub-Total, Highway Funds Revenues	\$ 243.74	\$269.34
2)	Game & Fish Protection Fund	7.54	7.61
3)	Aeronautics Fund	4.60	4.35
4)	Michigan Employment Security Fund	12.43	13.08
5)	Veterans Trust Fund	1.11	1.11
6)	Waterways Fund	0.60	0.62
7)	School Aid Fund (Sales Tax Monies)	<u>216.70</u>	<u>246.91</u>
	TOTAL — Restricted Fund Revenues	<u>\$ 486.72</u>	<u>\$543.03</u>
	GRAND TOTAL — ALL FUNDS	\$ 1,005.05	\$ 1,067.32

\* Mainly Liquor Purchase Revolving Fund.

\*\* Includes a recommended \$17 million grant from the General Fund.

Source: State of Michigan Budget, fiscal year ending June 30, 1958.

(SEE OTHER SIDE FOR REVENUES)