

Advancing Civil Society:

A State Budget to Strengthen Michigan Culture

**An Analysis of Fiscal Year 1995-96 Appropriations
and Recommendations for Change**

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ISBN 0-9647703-4-2

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Introduction

While it is tempting to launch immediately into a discussion of budget numbers, it is important to step back and remember that, at its core, the budget of the State of Michigan is about people. This analysis of the state budget attempts to avoid the mistakes of past budgets in that it reflects a principled vision for the state of Michigan and the culture in which her citizens live. It does not advocate political payoffs to special interests, which fuel public cynicism and create distrust. It does not uncritically perpetuate programs simply because they have been funded for many years. Instead, it takes a fresh look at how the budget affects not just state government, but the myriad of other institutions in our society and the unique human beings who comprise the Michigan citizenry. It evaluates each program and expenditure on the basis of whether it will advance or retard a vibrant, diverse, and prosperous Michigan culture. It is appropriate to begin, therefore, with a brief discussion of the competing visions that influence the scope and structure of the Michigan state budget.

Michigan citizens can choose, and have historically chosen, between two basic methods of organizing their affairs.

One, called political society, places responsibility for a wide range of human needs in the institutions of government. The people of Michigan elect public officials who, through statutes and administrative bureaucracies, design programs that attempt to respond to perceived problems.

In a political society, for example, these officials attempt to ensure the quality of goods and services by requiring licenses to practice certain trades, and requiring government approval before certain products may be sold. They attempt to guarantee quality education by certifying teachers, establishing curricula, and building schools and regulating their operation. They attempt to spur economic development by selecting and subsidizing certain businesses and industries, often at the expense of others. They attempt to care for the poor by dispensing government aid for food, day care, transportation, housing and medical care. These programs, of course, are funded through a variety of taxes on Michigan consumers, workers, property owners, and businesses, and fees on particular activities.

A second method of organizing affairs is called civil society. Instead of relying on institutions of government to provide social goods, participants in a civil society rely instead on private intermediary institutions such as the family, voluntary associations, religious groups, and commercial firms operating in a free-market economy. To facilitate the operations of these intermediary institutions, governing institutions provide judicial and enforcement services. They protect human life, property, and individual liberties against aggression, enforce contracts, and prosecute fraud and misrepresentation.

In this environment the creative energies of free people are engaged to solve problems as close to the source as possible. Strong families and community institutions, rather than expansive bureaucracies in Washington and Lansing, are looked to for the most effective solutions.

This choice between political society and civil society is crucial because in many ways the two are mutually exclusive. When governing institutions establish programs that attempt to improve upon private intermediary institutions, three damaging things occur. First, there is a prevailing sense that the problem is being solved by government--an idea promoted by the politicians and bureaucrats responsible for the plan--which causes individual citizens and their private organizations to disengage or moderate their involvement. Secondly, resources are taken from private individuals and organizations through taxes, which reduces their ability to provide assistance independent of the government. Finally, government programs often generate numerous rules and regulations that prevent or hinder private organizations from dealing effectively with the problem.

While the institutions of civil society flourished in the 19th century, political society has characterized this century. Michigan in particular has advanced political society at the expense of civil society. Michigan is dominated today by political institutions on which its citizens are becoming increasingly reliant, but which have failed to strengthen our culture, especially in the inner cities. It is time to demand that Michigan leaders make clear and

consistent choices about the direction they wish to take the state. There is no better manifestation of the political society approach of Michigan government than the state budget. Here, then, is a tour through Michigan political society, with recommendations for advancing civil society as the best way to strengthen Michigan culture.

Laying the Groundwork for Reform

Over the past two decades, Michigan's state budget has increased at a remarkable rate. Indeed, if one compares the budgets for fiscal years 1975-1976 and 1995-1996, one sees that state spending has nearly *quadrupled* over the past twenty years.¹ To put this increase into context, one should consider the effects current spending levels have on Michigan families. The 1995-1996 total state budget of \$28,080,901,387² represents a contribution of \$3,021 for every man, woman, and child in Michigan. In an era of stagnating wages, Michigan families have been asked to bear increasing burdens by the state--burdens that in many cases threaten the very well-being of these families.

The following analysis examines the 1995-96 fiscal year state budget (with the exception of K-12 public school funding, capital spending, and the Departments of Civil Rights and Civil Service) and asks of each program a fundamental question: Does it help advance civil society in Michigan, and help build a culture where free and responsible citizens have opportunities to pursue their unique goals and values? It recommends 136 specific program changes the state should make during the *next* fiscal year. While certainly not a complete guide to how government should be restructured over the next several years--more dramatic and comprehensive change needs to be implemented--it provides a framework for the debate. It recognizes the political constraints that reform-minded legislators face, while at the same time laying the groundwork for long-term change. If the state is going to take seriously the task of reestablishing civil society, it should consider the reforms listed within and the start the process now.

The reforms suggested can be grouped into three general classifications:

- **Eliminating unnecessary and, in some cases, counterproductive programs.** This report lists over 100 specific programs that should be eliminated because they either 1) provide welfare for Michigan corporations, industries, or other special interests, or 2) weaken families, churches, private assistance organizations and community groups by taking resources from their members and foreclosing opportunities for flexible, accountable, and efficient service. All are vestiges of a political society that erodes the virtues of responsibility, charity, and independence.
- **Rolling back unjustified program growth.** This report identifies several programs that experienced unjustified growth during the past several years. Examples include funding for community colleges and public universities, which grew at a rate far exceeding inflation and enrollment and funding for state mental and veterans' hospitals, which continued to grow dramatically despite decreased occupancy rates.
- **Contracting out services that can be handled more efficiently by the private sector.** Over the past fifteen years there has been a worldwide movement toward privatization. Governments at all levels have realized dramatic cost savings and quality gains due to contracting out services once handled by government.³ The state of Michigan should follow the lead of these pathbreaking governments and consider the privatization of a number of services that are still conducted by the state. The most notable program that could be privatized, at least in terms of cost savings, is the management of correctional facilities. If Michigan were to experience cost savings comparable to those experienced by other states from the privatization of their correctional systems, it could expect to save more than \$275,000,000.⁴

Summary

The list of proposals within, if implemented, would produce a savings of over \$2.1 billion, which constitutes 7.5% of the total state budget.

Most complaints leveled against these proposals will fit into one of two categories. One, people will argue, "Why cut a program that constitutes such a small proportion of the total budget?" And two, people personally affected by a program cut, such as recipients of direct subsidies, will oppose the proposal on the basis that it will affect them disproportionately. Both of these arguments are easily refuted when examined more closely. In the first case, while it is quite true that eliminating just one program will have little effect on the overall size of the budget, when combined with other similar cuts, the actual savings can become quite significant. And in the second case, many of these cuts will certainly affect some people more than others, but this is not coincidental--it is these same people who are benefiting disproportionately by the very presence of the programs. What is unjust or unfair is not the elimination of the programs, but their creation in the first place.

Over the past four years, the Engler administration has taken steps to reduce the size of state government. But there is much work yet to be done. The state should begin the process of significant long-term reform now, and implement numerous feasible changes that would return power from Lansing to where it rightfully belongs: the homes of families and individuals throughout the state.

A Note On Terminology

Each proposal within this paper contains information described as the "appropriation breakdown." These numbers simply refer to the origins of the funds used to pay for the program. There are four possible areas from which a program can be funded: Interdepartmental Grants; Federal Funds; General Fund/General Purpose Funds (GF/GP); and Special Revenue Funds.

Interdepartmental Grants are exactly what the name implies; funds transferred from one state department to another. For example, if the Department of Commerce were to assume some of the computer processing responsibilities of the Department of Labor, Labor would issue a grant to Commerce to help pay for the provision of that service.

Federal Funds are funds sent from Washington to Lansing to subsidize the operations of various state programs. Federal Funds can be comprised of many different types of federal revenues. For example, they can be made up of federal income tax receipts, fuel tax receipts, federal capital gains tax receipts, or federal tariff receipts, just to name a few.

General Fund/General Purpose Funds are funds gained by the state from predominantly three areas: state personal income taxes, state sales and use taxes, and single business and insurance taxes.⁵ These taxes are broad-based and are intended to fund programs that purportedly have broad-based effects.

Special Revenue Funds can be comprised of many different types of state revenues. The most common type of Special Revenue Funds, however, are targeted taxes, user fees, and regulatory fees. For example, dry cleaners in the state of Michigan are taxed each year to pay for on-site regulatory inspections of their establishments. The tax that these proprietors pay is an example of Special Revenue.

¹ Michigan Comprehensive Annual Financial Report." Lansing: Senate Fiscal Agency, 1994.

² State of Michigan Fiscal Year 1995-1996 Appropriations: Summary and Analysis." Lansing: House Fiscal Agency, 1995.

³ See Becker, Gary S. "Why Public Enterprises Belong in Private Hands." Business Week, February 24, 1986; Fitzgerald, Randall. *When Government Goes Private: Successful Alternatives to Public Services*. New York: Universe Books, 1988; Hanke, Steve H. (editor). *Prospects for Privatization*. New York: Academy of Political Science, 1987; and Poole, Robert W. *Cutting Back City Hall*. New York: Universe Books, 1980.

⁴ See "Correctional Facilities Administration and Operations" in the Department of Corrections budget herein.

⁵ For a description of what percentage of total GF/GP funds each of these taxes comprise, see "State of Michigan Fiscal Year 1995-1996 Appropriations: Summary and Analysis," page 184. Lansing: House Fiscal Agency, 1995.

Summary of Recommendations

	<u>Actual Appropriation</u>	<u>Recommended Appropriation</u>	<u>Difference</u>	<u>Percent Change</u>
Department of Agriculture	67,610,600	42,824,780	24,785,820	37%
Department of Attorney General	45,431,700	45,431,700	0	0%
Capital Outlay	289,421,900	289,421,900	0	0%
Department of Civil Rights	14,032,900	14,032,900	0	0%
Department of Civil Service	31,897,300	31,897,300	0	0%
Department of Commerce	305,785,400	212,390,327	93,395,073	31%
Community Colleges	248,809,787	222,614,804	26,194,983	11%
Department of Corrections	1,315,090,800	1,035,457,116	279,633,684	21%
Department of Education	810,061,100	720,467,400	89,593,700	11%
General Government	107,255,400	99,381,017	7,874,383	7%
Higher Education	1,429,037,100	1,221,993,173	207,043,927	14%
Jobs Commission	529,784,600	0	529,784,600	100%
Department of Labor	247,954,500	242,694,340	5,260,160	2%
Department of Management and Budget	228,760,500	158,055,550	70,704,950	31%
Department of Mental Health	1,606,778,400	1,450,393,270	156,385,130	10%
Department of Military Affairs	85,872,500	82,059,800	3,812,700	4%
Department of Natural Resources	448,014,000	434,687,400	13,326,600	3%
Department of Public Health	687,907,000	583,227,490	104,679,510	15%
School Aid	8,297,596,400	8,297,596,400	0	0%
Department of Social Services	7,569,454,200	7,331,291,100	238,163,100	3%
Department of State	166,559,800	153,866,100	12,693,700	8%
Department of State Police	339,673,400	338,155,900	1,517,500	0%
Department of Transportation	1,872,577,100	1,631,297,000	241,280,100	13%
Department of Treasury	<u>1,576,915,400</u>	<u>1,544,865,400</u>	<u>32,050,000</u>	<u>2%</u>
Total:	28,322,281,787	26,184,102,167	2,138,179,620	7.5%

Summary of Savings by Revenue Source

Interdepartmental Grants	2,101,600
Federal Funds	708,924,595
State General Fund/General Purpose	1,036,391,702
<u>Special Revenue Funds</u>	<u>390,761,723</u>
Total:	2,138,179,620

Department of Agriculture

Appropriations Summary	Actual⁶	Recommended	Savings
Interdepartmental Grants:	\$1,194,500	\$773,900	\$420,600
Federal Funds:	\$7,143,500	\$5,641,200	\$1,502,300
State General Fund/General Purpose:	\$43,893,500	\$22,906,580	\$17,934,820
Special Revenue Funds:	\$15,379,100	\$10,451,000	\$4,928,100
Gross Appropriation:	\$67,610,600	\$42,834,780	\$24,785,820

The Michigan Department of Agriculture (MDA) has adopted the following mission statement:

The mission of the Michigan Department of Agriculture is to serve the people of Michigan by providing leadership in the development and implementation of responsive and innovative policies and programs which protect consumers and preserve, promote, and enhance Michigan's food and agricultural industry. The department is committed to assuring a viable rural economy in Michigan for present and future generations; to assuring the consumer a safe, high quality supply of food and agricultural products; to protecting the public, the food supply, and the environment against toxic substance contamination; to protecting and enhancing the agricultural soil and water resource base; to promoting the development of food and agriculturally based businesses and markets; and to protecting the consumer from economic deception.

In reality, however, the Department actively pursues projects--many of them wasteful and unnecessary--unrelated to the purposes described in its mission statement. As a modest initial step toward civil society, the Department should return to its original goal of promoting consumer safety, while abandoning many of the unnecessary and sometimes counterproductive programs it has adopted, such as: the Grant program, the Marketing and Market Development program, and the Racing and Native American Casino Promotion program.

MDA Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Agricultural Commission; Marketing and Bargaining Board	\$48,500 ⁷	All from GF/GP

Program Description:

The Agricultural Commission is a five-member bipartisan group of citizens appointed by the Governor and subject to Senate confirmation. Members serve four year staggered terms. By law no more than three members may be of one political party. The commission is responsible for the operation of the MDA, primarily through establishing policies governing all departmental programs. The Commission appoints the director of the MDA and approves all rules and regulations promulgated by the department. The Commission meets once a month, and its meetings are open to the public.

The Marketing and Bargaining Board administers Michigan's Agricultural and Bargaining Act, P.A. 344 of 1972, which permits producers of perishable fruits and vegetables to be represented by an accredited association in negotiation with the handlers. Functions of the board include: determining the definition of a commodity bargaining

unit; administering accreditation procedures; determining members of the accredited bargaining units; and protecting the rights of both growers and handlers.

Recommended Action:

The MDA should be structured like many other departments of state government by eliminating the Agricultural Commission, allowing the Governor to choose the Director, and granting the Director the responsibility for setting Department policy. There simply is no need for a five-member commission to preside over the operations of the Department.

The Marketing and Bargaining Board should be eliminated, with its functions handled by the private sector. Both the producers and the handlers of fruit and vegetables have every incentive to make sure that their negotiations go smoothly and without error. There is no reason to believe that agricultural producers, wholesalers and processors are any less able to conduct commerce than producers, wholesalers, and users of other goods.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Affirmative Action	\$189,200 ⁸	All from GF/GP

Program Description:

The Affirmative Action Office is responsible for ensuring that women, minorities, and people with disabilities are "adequately" represented in MDA's work force. This goal is accomplished through career outreach programs, departmental training programs, and employment procedures. The Affirmative Action Office also offers internship programs to acquaint students with the MDA. The program features internships during the summer and academic year. It also informs minority students about career possibilities in agriculture.

Recommended Action:

By their very nature, affirmative action programs use race and other irrelevant factors as a basis for decision making, instead of pursuing a color-blind policy of non-discrimination. The practice of affirmative action is inherently unfair to those groups not granted special status, and often demeaning to those who are. Under the current system, non-minorities are punished due to their race, and those minorities who do obtain employment in agencies where affirmative action policies are practiced are often viewed as "quotas"--people who do not deserve the job they possess. In many cases this may not be true, yet the specter of affirmative action will always raise the doubt in the minds of non-minorities and minorities alike. The Department of Agriculture should pursue a color-blind "best person for the job" approach instead of its current policy of affirmative action. It could, and should, do so by immediately eliminating this office.⁹

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Statistical Reporting Service	\$412,400 ¹⁰	\$378,400 from GF/GP; \$34,000 from Special Revenue Funds

Program Description:

The Statistical Reporting Service (SRS) conducts crop surveys of fruits, vegetables, nursery stock and ornamental plants. The SRS conducts its research on a rotating basis, with fruit the first year, vegetables the second year, and nursery stock and ornamental plants the third year, for example.

Recommended Action:

The SRS could be eliminated immediately. Its functions, if necessary, can and should be handled by the agricultural industry itself. As noted below for the USDA data collection program, most non-agricultural industries provide market information without government assistance. There is no reason to expect any less from the agricultural industry.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
USDA Data Collection Program	\$1,077,300 ¹¹	All from Federal Funds

Program Description:

The USDA Data Collection Program is a federal program administered by state governments. The state of Michigan currently employs 18 full time employees in this program. The program, much like the Statistical Reporting Service, surveys data and prepares acreage, yield and production forecasts and estimates of Michigan's field crops, fruits and vegetables. It also prepares head counts of livestock.

Recommended Action:

Private organizations exist in almost every area of commerce to survey producers and consumers, and develop detailed and reliable market information. This is true with everything from automobiles, computers, and telephones to snack foods and insurance policies. The important area of agriculture would be no exception, and there is no reason for the state or federal government to be involved.¹² The USDA Data Collection Program should therefore be eliminated.

This program also raises the issue of whether the state of Michigan should accept federal funding for unnecessary or questionable programs, a practice which is commonly justified by the argument that if Michigan doesn't take the money, someone else will, and Michigan citizens will be the losers. Such federal funds are viewed as cost-free "gifts" that can provide Michigan with jobs, and can benefit certain groups.

This issue is addressed in detail in Appendix I. Suffice it to say here that Americans today are realizing the limits to federal spending, and the detrimental impact that deficit spending is now having and will continue to have on future generations. Good citizenship requires that the Michigan Legislature reject this type of federal funding and treat federal tax dollars as if they came from Michigan taxpayers. After all, they do.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Press and Public Affairs	\$466,200 ¹³	All from GF/GP

Program Description:

The Press and Public Affairs Division is responsible for: press relations, public education programs, information and outreach, employee communications, publication development, and coordination of special events. The division also coordinates the agriculture marketing program, which promotes Michigan agriculture.

Recommended Action:

The Press and Public Affairs division should be eliminated immediately. The primary function of the division is to promote Michigan agriculture in general, and the Michigan wine industry in particular. Both of these can and should be handled by private sector producers and trade associations. A prime example of Press and Public Affairs' unnecessary spending is a quarterly, full color newspaper that it produces and distributes for free, entitled *Michigan Wine Country*. The sole purpose of this publication is to promote the Michigan wine industry.

The state legislature should end such "corporate welfare" immediately.¹⁴ Governor Engler and others have struck a responsive chord by rightfully pointing out the need to help social welfare recipients become independent of government assistance. The same principle should apply to Michigan corporations and industry groups. Most people would be outraged if they knew that state government was subsidizing such profitable businesses. The Press and Public Affairs office should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Upper Peninsula State Fair	\$959,500 ¹⁵	\$256,300 from GF/GP; \$703,200 from Special Revenue Funds

Program Description:

This program funds an annual fair in the Upper Peninsula, similar to the Michigan State Fair held annually in Detroit.

Recommended Action:

While it is true that the Upper Peninsula State Fair is an enjoyable event for many people each summer, sponsoring fairs is not a proper function of government in a civil society. Every year, thousands come from across the country to enjoy Michigan's natural wonders. And millions enjoy such entertainment opportunities as attending professional sporting events and privately run fairs and festivals. The Upper Peninsula State Fair is no different; there is no reason to believe that we need the state to run a fair in the Upper Peninsula in order for there to be one. If there is sufficient demand for a fair of this type--and it appears that there is--then private organizations will respond to that demand and conduct one.¹⁶ This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Grants	\$14,590,900 ¹⁷	\$410,000 from Federal Funds; \$10,948,200 from GF/GP; \$3,232,700 from Special Revenue Funds

Program Description:

The Department of Agriculture issues grants to a variety of organizations and programs across the state. For fiscal year 1995-96, the following grants have been approved:

Michigan State University	\$210,000
Energy conservation program	\$263,100
Grants to cities with racetracks	\$1,745,600
Great Lakes draft horse show	\$78,800
Building and track improvement, county and state fairgrounds	\$627,700
Premiums, county and state fairs	\$1,611,200
Purses and supplements, fairs	\$2,653,700
Standardbred fedele fauri futurity	\$77,000
Standardbred Michigan futurity	\$77,000
Quarterhorse program	\$43,000
Licensed tracks--light horse racing	\$84,000
Standardbred breeders awards	\$1,201,500
Standardbred purses and supplements, licensed tracks	\$292,100
Standardbred sire stakes program	\$800,000
Standardbred training and stabling	\$47,800
Thoroughbred program	\$1,973,400
Thoroughbred sire stakes program	\$424,000
Food bank	\$500,000
Future Farmers of America	\$28,500
Local soil conservation districts program	\$1,400,000
Northwest Michigan horticultural research station	\$41,800
Southwestern Michigan tourist council, taste of Michigan	\$60,400
Grown in Michigan program	\$100,000
Michigan festivals	\$50,000
Forest stewardship program	\$200,000

Recommended Action:

Most of the above grants have only a tenuous relationship to the purposes identified in the Department's mission statement. None provide consumer safety functions. Instead, they subsidize private industry, private organizations, or academic research. A large share of this funding subsidizes horse racing and gaming in Michigan, which is arguably not even an agricultural concern. As mentioned previously, the Michigan Legislature should encourage businesses and organizations to become independent of government handouts. This form of corporate welfare insulates the subsidized organizations from the test of the marketplace: Do Michigan citizens value these activities enough to voluntarily support them? The Grants program should be eliminated immediately.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Animal Health and Welfare	\$2,189,100 ¹⁸	\$15,000 from Federal Funds; \$2,074,800 from GF/GP; \$99,300 from Special Revenue Funds

Program Description:

The Animal Health and Welfare program is responsible for protecting the health of domestic animals through the regulation of animal shelters, dog pounds, pet shops, riding stables, and research facilities.

Recommended Action:

Advancing the humane treatment of animals is a worthy objective, but should be done through means other than a state program. Private organizations like the Humane Society and the Society for the Prevention of Cruelty to Animals have been effective in raising awareness of this issue and reducing animal cruelty, and laws prohibiting unhealthy treatment exist already. The first defense against domestic animal cruelty should be social disdain for such behavior. A second defense is for citizens and local officials to enforce existing law. Spending \$2 million on the Animal Health and Welfare program is unnecessary, and it should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Equine Monitoring System	\$87,600 ¹⁹	All from GF/GP

Program Description:

The Equine Monitoring System was established by the Department of Agriculture to do the following: establish and maintain a database on the population, health status and economic characteristics of the horses in Michigan, and to identify major disease and health problems based on frequencies and economic impact of such conditions. The state periodically conducts a statewide survey of all horse owners to gather the information it requires. The program is under the direction of Martin Saffell of Michigan State University.

Recommended Action:

This is a program that has been marked for elimination by many state legislators for a number of years, yet it has remained intact. Saffell, defending the existence of the program, has stated, "Unlike other livestock, the USDA did not have any data on horses. They have data on dairy cows, hogs, chickens, etc. Horses are not really part of agriculture, except breeding farms are considered farming, and most produce hay or other products. Farms are now specialized. We need documentation to lobby" the USDA.²⁰ This program continues to be in place in order to attract federal funds for local purposes. As stated above in our discussion of the USDA Data Collection program, the Legislature should refuse to accept federal funding for such purposes. Appendix I explains why all states should resist the temptation to take federal funds for unnecessary programs. It is time for this program to be eliminated, and for horse owners to stop asking taxpayers to subsidize their industry and hobby.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Marketing and Market Development Program	\$1,099,700 ²¹	\$420,600 from Interdepartmental Grants; \$625,900 from GF/GP; \$50,500 from Special Revenue Funds

Program Description:

The Marketing and Market Development program campaigns and advertises throughout the nation and the world on behalf of Michigan agricultural products.

Recommended Action:

This program is another example of corporate welfare; private industry should be responsible for its own marketing programs, not the taxpayer. It should be eliminated at once.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Equine Drug Testing	\$741,700 ²²	All from Special Revenue Funds

Program Description:

This program tests the drug levels present in the bloodstreams of race horses. It is included in the line item "Laboratory Support Services."

Recommended Action:

While it is true that the horse racing industry may wish to monitor the drug level present in the bloodstreams of race horses in order to ensure the integrity and quality of the races, such an issue should not involve state government. Many sports monitor similar things without the benefit of state intrusion. For example, in weightlifting, swimming, and track and field, competitors are privately tested for legal and illegal consumption of performance enhancing drugs, and there has been very little trouble with enforcement. There is no reason to believe that similar results could not be achieved in horse racing.

The horse racing industry has, like the weightlifting and swimming communities, a vested interest in seeing their sport attain a high level of respect and legitimacy. Indeed, without spectator confidence in the legitimacy and fairness of the races, the horse racing industry would quickly perish. As a result of this incentive, the industry can be expected to regulate itself.²³

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Horse Racing and Casino Gambling Promotion	\$190,000 ²⁴	All from GF/GP

Program Description:

This program helps to promote these two private industries through advertising and public relations activities.

Recommended Action:

The horse racing and casino gambling industries should be responsible for their own promotional activities. It simply is not the taxpayer's responsibility to ensure their livelihood.

MDA Programs to be Downsized

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Management Services	\$4,512,300 ²⁵	All from GF/GP

Program Description:

Management Services provides financial administration and computer services for the Department of Agriculture.

Recommended Action:

With the elimination of approximately 40% of the Agriculture budget comes the ability to downsize the Management Services division commensurately, producing a savings of approximately \$1,804,920.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Property Management Charges; Rent	\$838,800 ²⁶	\$772,100 from GF/GP; \$66,700 from Special Revenue Funds

Program Description:

Property management charges are the fees incurred by the Department of Agriculture for the maintenance and upkeep of departmental facilities. Rent is, as the name implies, the rent charges incurred by the Department during the year.

Recommended Action:

With the elimination of approximately 40% of the Agriculture budget comes the ability to downsize these appropriations commensurately, producing a savings of approximately \$335,520.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Executive Direction; Unclassified Positions	\$1,323,200 ²⁷	All from GF/GP

Program Description:

Executive Direction and the line item described as "Unclassified Positions" provide support services to the Director. In short, they are the Director's staff.

Recommended Action:

With the elimination of approximately 40% of the Agriculture budget comes the ability to downsize these appropriations commensurately, producing a savings of approximately \$529,280.

⁶ FY 1995-96 Appropriations Report, p.28. Lansing: Senate Fiscal Agency, July 1995

⁷ Ibid, page 2.

⁸ Ibid, page 2.

⁹ See Block, Walter and Michael Walker (editors). *Discrimination, Affirmative Action, and Equal Opportunity*. Vancouver. Fraser Institute, 1981; Sowell, Thomas. *The Economics and Politics of Race*. New York: Quill, 1983; Williams, Walter E. *The State Against Blacks*. New York: McGraw Hill, 1982; and Yates, Stephen. *Civil Wrongs: What Went Wrong With Affirmative Action*. San Francisco: ICS Press, 1994.

¹⁰ 1995 Enrolled Senate Bill Number 296, page 2.

¹¹ Ibid, page 2.

¹² See Bovard, James. *The Farm Fiasco*. San Francisco: ICS Press, 1989; Frydenlund, John. "Freeing America's Farmers: The Heritage Plan for Rural Prosperity." Washington: Heritage Foundation, 1995; and Gardner, Delworth B. *Plowing Ground in Washington: The Political Economy of U.S. Agriculture*. San Francisco: Pacific Research Institute, 1995.

¹³ 1995 Enrolled Senate Bill Number 296, page 2.

¹⁴ For illuminating discussions of the need to end corporate welfare, see Childs, Roy A. "Big Business and the Rise of American Statism," in *Liberty Against Power: Essays by Roy A. Childs*. San Francisco: Fox & Wilkes, 1994; Forstmann, Theodore J. "The Paradox of the Statist Businessman." *Cato Policy Report*, March-April 1995; Moore, Stephen and Dean Stansel. "Ending Corporate Welfare as We Know It." Cato Institute Policy Analysis Number 225. Washington: Cato Institute, 1995; and Shapiro, Robert J. "Cutting Public Subsidies for Private Interests," in "Cut and Invest: A Budget Strategy for the New Economy." Washington: Progressive Policy Institute, 1995.

¹⁵ 1995 Enrolled Senate Bill Number 296, pages 2-3.

¹⁶ See "Privatization in Michigan: Recommendations to the Governor," page 33. Lansing: Department of Management and Budget, 1992.

¹⁷ 1995 Enrolled Senate Bill Number 296, pages 4-5.

¹⁸ 1995 Enrolled Senate Bill Number 296, page 3.

¹⁹ Ibid, page 3.

²⁰ Telephone interview with Martin Saffell, March 21, 1995.

²¹ 1995 Enrolled Senate Bill Number 296, page 3.

²² Ibid, page 4.

²³ See "Privatization in Michigan: Recommendations to the Governor," page 33. Lansing: Department of Management and Budget, 1992.

²⁴ 1995 Enrolled Senate Bill Number 296, page 4.

²⁵ Ibid, pages 2-3.

²⁶ Ibid, pages 2-3.

²⁷ Ibid, page 2.

Department of Civil Rights

Appropriations Summary	Actual²⁸	Recommended	Savings
Interdepartmental Grants:	0	0	0
Federal Funds:	\$1,912,700	\$1,912,700	0
State General Fund/General Purpose:	\$12,120,200	\$12,120,200	0
Special Revenue Funds:	0	0	0
Gross Appropriation:	\$14,032,900	\$14,032,900	0

The Michigan Constitution establishes the Michigan Civil Rights Commission, and the Department of Civil Rights was established to carry out the Commission's responsibility to "investigate alleged discrimination against any person because of religion, race, color or national origin in the enjoyment of the civil rights guaranteed by law and by this Constitution, and to secure the equal protection of such civil rights without such discrimination."

Although the department has embarked on activities outside this narrow charter, this report does not include a detailed analysis of these operations, and therefore no program changes are recommended at this time.

²⁸ FY 1995-96 Appropriations Report, page 31. Lansing: Senate Fiscal Agency, July 1995.

Department of Civil Service

Appropriations Summary	Actual ²⁹	Recommended	Savings
Interdepartmental Grants:	\$2,020,000	\$2,020,000	0
Federal Funds:	\$1,457,100	\$1,457,100	0
State General Fund/General Purpose:	\$12,269,100	\$12,269,100	0
Special Revenue Funds:	\$16,151,100	\$16,151,100	0
Gross Appropriation:	\$31,897,300	\$31,897,300	0

The Michigan Department of Civil Service (MDCS), according to the Constitution of the State of Michigan, shall "classify all positions in the classified service according to their respective duties and responsibilities, fix rates of compensation for all classes of positions, approve or disapprove disbursements for all personal services, determine by competitive examination and performance exclusively on the basis of merit, efficiency, and fitness the qualifications of all candidates for positions in the classified service, make rules and regulations covering all personnel transactions, and regulate all conditions of employment in the classified service."³⁰ Unlike many other state departments, it has stayed quite true to its original purposes; MDCS does not--except for a few programs--attempt to provide services that fall beyond the powers and duties granted to it by the Constitution. Although a closer review of individual programs may identify areas for savings, such a review is not a part of this report. No general or specific recommendations are provided at this time.

²⁹ FY 1995-96 Appropriations Report, page 41. Lansing: Senate Fiscal Agency, July 1995.

³⁰ Constitution of the State of Michigan of 1963, Article XI, Section 5.

Department of Commerce

Appropriations Summary	Actual³¹	Recommended	Savings
Interdepartmental Grants:	\$2,139,700	\$2,139,700	0
Federal Funds:	\$92,789,800	\$88,997,800	\$3,792,000
State General Fund/General Purpose:	\$24,808,100	\$3,073,400	\$21,734,700
Special Revenue Funds:	\$186,047,800	\$118,179,427	\$67,868,373
Gross Appropriation:	\$305,785,400	\$212,390,327	\$93,395,073

Although many programs formerly within the Michigan Department of Commerce (MDC) have been transferred to the Jobs Commission, many unnecessary programs remain. The Department has been dominated by special interests and now acts as primarily a dispenser of favors via subsidies and grants. It should be dramatically reduced in both size and scope. Below are 10 specific programs that should be either eliminated or reduced.

MDC Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Council for Arts and Cultural Affairs	\$22,840,600 ³²	\$1,105,900 from Federal Funds; \$21,734,700 from GF/GP

Program Description:

The Michigan Council for Arts and Cultural Affairs awards grants to organizations to fund a variety of projects. During the past fiscal year, art and cultural grants were awarded to:

Young Audiences of Michigan	Arab Community Center
Dearborn Community Arts Council	Broadside Press
Creative Arts Collective	United Black Artists
Milan Theatre Company	African American Studio Theatre
The Storytellers	Pewabic Society
Arts Foundation of Michigan	Center for Creative Studies
Detroit Artists Market	Detroit Focus
Detroit Public Schools	Harmony House Playhouse
Michigan Veterans Foundation	Clinton County Arts Council
Northville Public Schools	Arts Forum of Western Michigan
Council of Performing Arts	Grand Rapids Art Museum
Grand Rapids Civic Theatre	Junior League of Grand Rapids
Kent County Juvenile Court	Grand Rapids Opera
St. Cecilia Music Society	Community Circle Theatre
Public Museum of Grand Rapids	Muskegon Civic Theatre
Muskegon Museum of Art	Manistee Civic Players
Michigan Youth Arts Festival	Beaver Island Community Schools
Old Town Playhouse	Traverse City Area Public Schools
Arts Midwest	Sault Are Arts Council
Peninsula Arts Appreciation Council	Calumet Theatre
Ironwood Theatre	Jesse Besser Museum
Downriver Council for the Arts	Arts League of Michigan

Braezeal Dennard Chorale
 Detroit Metropolitan Orchestra
 Mason Elementary School
 Grosse Pointe Public Schools
 Attic Theatre
 Detroit Theatre Association
 Graystone Jazz Museum
 Clinton County School District
 Arts Council of Grand Rapids
 David Wolcott Kendall School
 Grand Rapids Symphony Society
 Michigan Assoc. of Community Arts
 Chamber Choir of Grand Rapids
 Holland Community Chorale
 West Shore Symphony
 Midland Center for the Arts
 Traverse Area Arts Council
 Center for New Television
 William Bonifas Fine Arts Center
 Crooked Tree Arts Council
 Thunder Bay Theatre
 Studio of African Dance
 Detroit Symphony Orchestra Hall
 New Detroit Incorporated
 Utica Public Schools
 Michigan Bach Festival
 John Glenn High School
 Southwest Michigan Symphony Orchestra
 Irvine Gilmore Keyboard Festival
 Mad Hatters
 Battle Creek Symphony Orchestra
 Jackson Symphony Orchestra
 Ann Arbor Art Association
 Art-Train
 Kerrytown Concert House
 University Musical Society
 Macomb Arts Council
 Village Bach Festival
 Flint Institute of Arts
 Greater Flint Arts Council
 Saginaw Symphony
 Arts Council of Lansing
 Lansing Lyric Opera
 Christo Rey Community Center
 Creative Arts Center of Oakland County
 Rochester Symphony Orchestra
 Jazz Development Workshop
 Music Hall Center
 Wayne State University
 Grand Circus Park Development
 Alternative Creative Education
 Dearborn Orchestral Society
 Allen Park Symphony
 Croswell Fine Arts Association
 St. Joseph Art Association
 Kalamazoo Civic Playhouse
 Confined Audiences Production
 James Tatum Trio
 Rackham Symphony Choir
 Accounting Aid Society
 Concerned Citizens for the Arts
 Detroit Jazz Orchestra
 Michigan Opera Theatre
 Lowell Area Arts Council
 Boys Choir of Grand Rapids
 Grand Rapids Ballet
 Kent County Co-op
 Robeson Players
 Michigan Alliance for Arts Education
 Muskegon County Foundation
 Art Reach of Mid Michigan
 Northwestern Michigan College
 Traverse Symphony Orchestra
 City of Marquette
 Ironwood Area Schools
 Thunder Bay Arts Council
 Rebirth Incorporated
 Casa de Unidad
 Gray and Gray Productions
 Southwest Detroit Business Association
 Dearborn Public Schools
 Inter-Arts Associates
 Lenawee Symphony Orchestra
 Kalamazoo Arts Council
 Kalamazoo Institute of Arts
 Kalamazoo ISD
 Art Center of Battle Creek
 Livingston Educational Service Agency
 Ann Arbor Summer Festival
 Dance Gallery Foundation
 Papagena Opera Company
 Washtenaw Council for the Arts
 St. Clair Arts Council
 Port Huron Museum of Arts and History
 Flint School District
 Saginaw Art Museum
 Young People's Theatre
 Community Circle Players
 Michigan Public Broadcasting
 Michigan State University
 Pontiac Schools District
 Troy School District
 Madrigal Chorale
 Southeast Michigan Arts Forum
 Detroit Center for Performing Arts
 Michigan Avenue Art Group
 Abbott Middle School
 Friends of Opera
 Plymouth Community Arts Council
 Tibbits Opera Foundation
 Fontana Concert Society
 Kalamazoo Junior Symphony Society

Whole Art Theatre Company
 Battle Creek Youth Orchestra
 Brighton Area Schools
 Ann Arbor Theatre
 Comic Opera Guild
 Michigan Theatre Foundation
 U-M Flint
 New Haven Community Schools
 International Symphony Orchestra
 Flint Institute of Music
 Ballet Cultural Azteca
 Cheboygan Area Arts Council
 Boarshead Theatre
 Lansing Symphony
 The Michigan Festival
 Oakland County Cultural Council
 Troy Chamber of Commerce
 Lyric Chamber Ensemble
 Cantata Academy
 Detroit Dance Collective
 Interlochen
 Ferndale Public Schools
 Judson Center
 Blue Lakes Fine Arts Camp

Battle Creek Boys Choir
 Ella Sharpe Museum
 Chinese American Cultural Center
 Ann Arbor Symphony
 Great Lakes Performing Artists Assoc.
 Performance Network
 Wild Swan Theatre
 City of St. Clair
 Buckham Fine Arts Project
 City of Flint
 Saginaw Choral Society
 Holland Area Arts Council
 Lansing Art Gallery
 Michigan Orchestra Association
 The Pashami Dancers
 Meadow Brook Performing Arts
 Business Consortium for the Arts
 City of Southfield Parks and Rec.
 Detroit Area Film and TV
 Oakland Community College
 Grand Rapids Symphony
 Detroit Chamber Winds
 Royal Oak School District

Recommended Action:

After his inauguration in January, 1991, Governor Engler indicated his intention to eliminate the Arts and Cultural grant program. Although he has not followed through, he should. There are several reasons why this will benefit Michigan citizens and Michigan culture.³³

First, this \$23 million subsidy diminishes the ability of Michigan taxpayers to choose for themselves what types of arts and cultural projects they will support, and places such decisions in the hands of state bureaucrats and their designees. It is elitist to assume that the "unwashed masses" require government oversight on these very personal matters of value and taste.

Government funding of the arts also has the perverse effect of forcing the poor to subsidize the rich. Since art museums, operas, and symphonies are frequented predominantly by people of high socio-economic status and education, the cultural grants provide for a fundamentally unfair transfer of wealth from lower income families to higher. Indeed, Robert J. Samuelson, columnist for *Newsweek* and *The Washington Post*, has called funding for the arts "highbrow pork barrel."

Secondly, subsidies are not a necessary precondition to people creating and enjoying artistic works. The arts and humanities in this country flourished prior to governmental funding and there is no reason to believe that support would cease if the government were to return to its neutral position regarding the arts. Indeed, some of the finest art ever produced in our country was created without governmental funding. Great art is a product of individual genius and individual ambition, not governmental involvement.

Some have argued that government subsidies are needed to give the poor access to the arts. It is interesting to note, however, that with stereo equipment that can be purchased with the earning from a day or two of minimum wage work, a person can hear a variety and quality of music unavailable to kings and queens a century ago. Music, photographs, prints, televised recorded performances, and even musical instruments and arts and crafts materials, are more available and less expensive than at any time in history. Public libraries often rent, free-of-charge, compact disks, video classics, and even prints of paintings. And it is difficult to find a local arts or cultural organization that refuses to make some allowance for low income individuals to attend programs and performances.

A third reason to eliminate political funding is that government subsidies to the arts inevitably lead to the politicization of culture and stifle the creativity and innovation of artists. No matter how large the art and cultural grant program grows, not every aspiring artist can be the beneficiary of a state grant; hence, there must be some selection process for the grants, and, as a result, artists applying for grants will inevitably pursue work that will be palatable to the potential donor: the state. What results is the corruption of the artist and his work. It is unlikely that

great works such as Thoreau's *Civil Disobedience* or Tolstoy's *War and Peace*, both of which were highly critical of the then-current regime, would have been pursued if the authors had been aspiring for governmental funding. As painter Laura Main has said, "Relying on the government to sponsor art work . . . is to me no more than subjecting yourself to the fate of a governmental lackey."³⁴

Sensing the mood of the times, savvy proponents of arts and cultural subsidies have attempted to portray such programs as economic development tools, presenting economic analyses based on dubious "multiplier effects" to show, for example, that \$1,000 of art spending generates \$11,000 worth of economic benefit. What such one-sided analyses neglect to discuss is the effect on the Michigan economy if Michigan citizens were allowed to keep and spend this money themselves. There is absolutely no evidence that state government spending generates any more economic activity than private spending.

It is time for the Michigan Legislature to depoliticize Michigan cultural affairs and leave private citizens and private organizations to develop the diverse, creative, and inspiring works that have always characterized civil society.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Public Service Commission: Administration, Planning, and Regulation	\$18,325,700 ³⁵	\$2,130,300 from Federal Funds; \$16,195,400 from Special Revenue Funds

Program Description:

Regulating Michigan's non-municipal utility companies, gas and oil pipelines, telecommunications, and commercial motor transportation industry is the main responsibility of the Public Service Commission. The Commission is best known for setting the rates that utilities may charge their customers. Other functions performed by the Commission include: setting standards of service that each company must meet; approving and monitoring the construction of all gas and pipeline operations; enforcing rules; and approving the issuance of securities by regulated companies.

Recommended Action:

The Public Service Commission should be eliminated. It currently provides an outdated and unnecessary function: the regulation and effective price-fixing of utilities. Utilities can be provided to customers by the market; they do not need to be provided, effectively, through state government. If the state were to loosen its control on the utilities industry, one would see a more efficient, cost-effective, and consumer friendly system, with a myriad of suppliers willing to provide service to Michigan's homes and businesses. Indeed, the Public Service Commission itself has begun to recognize this fact.

On April 11, 1994, the Public Service Commission announced that Michigan would be the first state to experiment with a program allowing major customers of Detroit Edison and Consumers Power to bypass those utilities and shop for electric power from dozens of independent competitors. Known as "retail wheeling," the five year experiment will allow those customers essentially to rent the two utilities' wires and purchase electricity from other sources. Thus far the program has been successful, with many companies choosing to contract electrical services from providers other than the two major utilities. As Frank Corley, a Ford executive, recently said, "We want to see the same kinds of opportunities in electric utilities that we have seen in the natural gas industry. Companies need more opportunities to save money." Moreover, Ford and other large companies have been able to force competition in other ways, as well. They are cutting special rate deals with the utility providers, helping communities set up their own municipal power companies, and building their own power plants. Although it is preferable to have utilities owned privately rather than by municipal governments, both private and municipal efforts are affecting the dynamics of the market. Indeed, Big Three automakers recently negotiated a \$30 million annual rate cut with Detroit Edison, and city officials in Alma are trying to become the first city in Michigan in 50 years to set up a municipal utility. As a result, Mick Hiser, director of the Commission's Competitive Utilities and Energy Resources Division, has said, "This industry is moving swiftly to competition. This is not pie-in-the-sky stuff."

The state legislature should recognize the effectiveness of such market-oriented solutions and act appropriately; they should eliminate the Public Service Commission and allow the market to work as it should,

unhampered. What would result is greater consumer choice, lower prices, and more successful small providers entering the market.³⁶

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Grant to Department of Public Health	\$555,800 ³⁷	All from Federal Funds

Program Description:

The Grant to the Michigan Department of Public Health (MDPH) will provide \$555,800, via the U.S. Department of Energy, to the MDPH for nuclear emergency planning and response.

Recommended Action:

The Department of Commerce should refuse the money provided by the U.S. Department of Energy for this grant, and in so doing eliminate its subsequent grant to the Michigan Department of Public Health. Other industries, such as chemical producers, work in conjunction with community leaders to provide emergency planning and response programs, and the nuclear power industry should be no different. Nuclear emergency planning should be the responsibility of communities and the industry, and not funded by state or federal government.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Michigan State Fair	\$4,388,400 ³⁸	All from Special Revenue Funds

Program Description:

The Michigan State Fair is a once a year self-financing event held every summer on the state fairgrounds in Detroit.

Recommended Action:

While it is true that the Michigan State Fair is an enjoyable event for many people each summer, sponsoring fairs is not a proper function of government in a civil society. Every year, thousands come from across the country to enjoy Michigan's natural wonders. And millions enjoy such entertainment opportunities as attending professional sporting events and privately run fairs and festivals. The Michigan State Fair is no different; there is no reason to believe that we need the state to run the Michigan State Fair in order for there to be one. If there is sufficient demand for a fair of this type--and clearly there is--then private organizations will respond to that demand and conduct one.³⁹ This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Liquor Merchandising and Warehousing	\$25,549,400 ⁴⁰	All from Special Revenue Funds

Program Description:

The Liquor Merchandising and Warehousing Program operates three liquor warehouses and 76 state stores selling spirits to retail licensees. The operation is divided into three geographic districts throughout the state, and each district has its own warehouse and groups of wholesale and retail stores.

Recommended Action:

The Liquor Merchandising and Warehouse office is a program that has been cited for elimination by various organizations, analysts, and legislators for many years. It is time for these recommendations to be heeded; the state legislature should act immediately to eliminate this office. Like other goods--even those like tobacco, which many view with disdain--the distribution of spirits can be handled by the private sector directly. There simply is no

need for a middleman--in this case, state government--to handle the distribution between the alcohol manufacturing companies and the licensed distributors of alcohol throughout the state. If the bars, stores, and other distributors of alcohol are licensed, then the state should take action against these licensees at the point of sale, if they believe that they are selling alcohol which violates the regulations of their license. There is no need to take the preventive measure of having the Liquor Control Commission sell the alcohol directly to them.

There is one additional point that needs to be raised regarding the termination of this program. If the legislature acted to end the merchandising and warehousing program, more than the \$25 million budgeted for operating this program would be effectively saved. In addition to the initial \$25 million, the state would also be able to sell the warehouses currently used by this program, and in so doing, be able to, as the Department of Management and Budget (DMB) has written, "reap a short term cash windfall."⁴¹

In conclusion, the Liquor Merchandising and Warehousing program of the Liquor Control Commission is a prime example of Lansing overstepping its bounds and delving into an area that can be handled more efficiently by the private sector. The legislature should take this opportunity to streamline government and do as DMB has suggested: terminate the Merchandising and Warehousing program.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Liquor Control Commission Grant	\$408,100 ⁴²	All from Special Revenue Funds

Program Description:

The Liquor Control Commission will appropriate a \$408,100 grant to the Department of Agriculture's Wine Industry Council, for use in advancing and promoting Michigan's wine industry.

Recommended Action:

As suggested in this study's analysis of the Department of Agriculture, the Wine Industry Council should be eliminated, since it performs a service that can and should be handled by the private sector--the promotion of private industry. This form of corporate welfare should be ended immediately by eliminating the Liquor Control Commission Grant.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Mobile Home Commission; Mobile Home and Land Resources Program; Local Mobile Home Park Inspections	\$1,759,000 ⁴³	All from Special Revenue Funds

Program Description:

These programs license the manufacturers of mobile and manufactured homes, as well the proprietors of mobile home parks. They also conduct inspections of mobile home parks to verify that state regulations are being followed.

Recommended Action:

There is no need for the state to intervene between the consumers and producers of mobile homes, or for it to intervene between the would-be inhabitants of a mobile home park and the proprietor of that mobile home park. In both instances the consumer is capable of determining whether or not he will engage in a transaction with the provider of the good. If, after purchasing the good, he believes he has been defrauded, then he can take legal action against the seller of that good, whether it be the mobile home manufacturer or the mobile home park proprietor. With respect to mobile home parks, local construction and health codes and land use planning measures are adequate to provide guidelines for development. Preventive action by the state in the form of regulation of these activities is unnecessary and harmful. These programs should be eliminated.

MDC Programs to be Downsized

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Management Support Services: Liquor Control Commission	\$2,883,900 ⁴⁴	All from Special Revenue Funds

Program Description:

Management Support Services for the Liquor Control Commission provides, essentially, accounting and bookkeeping services for the division's two major programs: (1) the Liquor Licensing and Enforcement program, and (2) the Liquor Merchandising and Warehousing program.

Recommended Action:

With the elimination of the Liquor Merchandising and Warehousing comes the ability to radically downsize the Management Support Services program. Currently, 57 percent of the entire Liquor Control Commission budget is directed to the Liquor Merchandising and Warehouse program, which is essentially self-financing. Therefore, one can surmise that at least 57 percent of all accounting services conducted by Management Support Services go toward the Liquor Merchandising and Warehousing program. These services could be immediately terminated with the elimination of the aforementioned program, and as a result, Management Support Services could be downsized by 57 percent, producing a savings of \$1,647,823.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Management Services	\$28,020,000 ⁴⁵	\$1,544,200 from Interdepartmental Grants; \$891,000 from GF/GP; \$25,584,800 from Special Revenue Funds

Program Description:

Management Services entails a variety of programs, all conducted to aid and support the running of the Department of Commerce. For example, Technology Support, Personnel Services, and Financial Management programs for the Department are included under the heading Management Services, as is the rent of the offices not currently owned by the state.

Recommended Action:

With the elimination of approximately 50% of the Commerce budget comes the ability to downsize the Management Services division a commensurate amount, producing a savings of approximately \$14,010,000.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Executive Direction	\$7,820,500 ⁴⁶	\$595,500 from Interdepartmental Grants; \$588,600 from GF/GP; \$6,636,400 from Special Revenue Funds

Program Description:

Like Management Services, Executive Direction entails a wide variety of programs that deal with the functioning of the department. For example, within the Executive Direction division are the following line items: Policy Development; Executive Director Programs; and Regulatory Efficiency Improvements/Backlog Reduction Initiative. The aforementioned programs set policy for the Department, and determine the Department's goals and procedures for the following year.

Recommended Action:

With the elimination of approximately 50% of the Commerce budget comes the ability to downsize the Executive Direction division by a commensurate amount, thus producing a savings of approximately \$3,910,250.

³¹ FY 1995-96 Appropriations Report, page 43. Lansing: Senate Fiscal Agency, July 1995

³² 1995 Enrolled Senate Bill Number 297, pages 2-3.

³³ For a general discussion of government funding of the arts, see Banfield, Edward C. *The Democratic Muse*. New York: Basic Books, 1984; Grampp, William. *Pricing the Priceless*. New York: Basic Books, 1984; "Subsidies to the Arts: Cultivating Mediocrity." Kauffman, Bill. Cato Institute Policy Analysis Number 137. Washington: Cato Institute, 1990; and Lynes, Russell. "The Case Against Government Aid to the Arts." *New York Times Magazine*, March 25, 1962.

³⁴ Quoted in "Cultural Agencies," *The Cato Handbook for Congress*. Washington: Cato Institute, 1995.

³⁵ 1995 Enrolled Senate Bill Number 297, pages 4-5.

³⁶ See Bradley, Robert L., Jr. *Energy Choices and Market Decision Making*. Houston: Institute for Energy Research, 1993; Gasman, Lawrence. *Telecommunication: The Free Market Road to the Information Highway*. Washington: Cato Institute, 1994; Moorehouse, John C. *Electric Power: Deregulation and the Public Interest*. San Francisco: Pacific Research Institute, 1986; Poole, Robert W. (editor). *Unnatural Monopolies: The Case for Deregulating Public Utilities*. Lexington, MA: Lexington Books, 1985; and Shapiro, David L. *Generating Failure: Public Power Policy in the Northwest*. Lanham, MD: University Press of America, 1989.

³⁷ 1995 Enrolled Senate Bill Number 297, page 4-5.

³⁸ Ibid, page 3.

³⁹ See "Privatization in Michigan: Recommendations to the Governor," page 33. Lansing: Department of Management and Budget, 1992.

⁴⁰ 1995 Enrolled Senate Bill Number 297, page 5.

⁴¹ "Privatization in Michigan: Recommendations to the Governor," page 35. Lansing: Department of Management and Budget, 1992.

⁴² 1995 Enrolled Senate Bill Number 297, page 5.

⁴³ Ibid, page 4.

⁴⁴ 1995 Enrolled Senate Bill Number 297, page 5.

⁴⁵ Ibid, page 3.

⁴⁶ Ibid, page 2.

Community Colleges

Appropriations Summary	Actual⁴⁷	Recommended	Savings
Interdepartmental Grants:	0	0	0
Federal Funds:	0	0	0
State General Fund/General Purpose:	\$248,809,787	\$222,614,804	\$26,194,983
Special Revenue Funds:	0	0	0
Gross Appropriation:	\$248,809,787	\$222,614,804	\$26,194,983

The Community College budget is comprised of two types of appropriations: appropriations for the operations of Michigan's community colleges, and grant appropriations, of which there is only one for fiscal year 1995-96: the At-Risk Student Success Program. As for the first group of appropriations--the operations budgets for the colleges--substantial and immediate savings could be realized by simply retroactively indexing spending to two factors: inflation and enrollment. As it currently stands, spending has grown at a far faster rate than has enrollment and inflation--a development that calls for greater scrutiny of requests for funding increases. As for the grant appropriations, they could, and should, be immediately discontinued.

Community College Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
At-Risk Student Success Program	\$3,330,608 ⁴⁸	All from GF/GP

Program Description:

The At-Risk Student Success Program is a tutorial program for students enrolled at Michigan's community colleges. To be eligible for the tutorial program, students must meet one of the following criteria: (1) are initially placed in one or more developmental courses as a result of standardized testing or as a result of failure to make satisfactory academic progress; (2) are diagnosed as learning disabled; or (3) require English as a second language assistance.

Recommended Action:

Providing assistance to students, whether "at-risk" or not, is best handled by individual, family, and community efforts, not state involvement. State subsidies for higher education drive up educational costs, and raise the tax burdens that limit the ability of individuals and families to pay college costs. Moreover, the At-Risk Student Success Program sets up a perverse set of incentives and rewards. For example, under the current program, a student who puts very little effort into a class and fails as a result could be eligible for tutorial services, whereas a student who puts much effort into the same class but is only able to attain a C, for example, because he is simply maladroit in that area of study, is ineligible for help. Generations of immigrants have overcome language barriers, and generations of struggling learners have met academic challenges, all without state intervention. Private assistance efforts provide greater accountability and greater efficiency than state-run programs. The At-Risk Student Success Program should be eliminated.

Community College Programs to be Downsized

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Community College Operations	\$245,479,179 ⁴⁹	All from GF/GP

Program Description:

Michigan's 28 community colleges provide the following: (1) higher education opportunities to citizens for whom the cost, location, or academic entrance requirements of Michigan's four year colleges and universities are barriers to attendance; and (2) job training and retraining opportunities, including vocational, avocational, and non-degree courses and programs that may not be offered at other institutions.

Approximately 209,500 students attend classes full-time at one of Michigan's community colleges located throughout the state, with 2 in the Upper Peninsula, 7 in the northern Lower Peninsula, and the remaining 19 in southern Michigan.

Curriculum offerings at Michigan's community colleges include pre-professional, liberal arts, occupational, and vocational courses. Approximately, 50% of student credit hours are earned in liberal arts courses; 25% in business courses; 10% in trade and technical courses; 10% in health related courses; and the remainder in development and special interest courses.

For fiscal year 1995-96, Community College Operations funds will be allocated as follows:

Alpena Community College	\$4,019,667
Bay de Noc Community College	\$3,433,333
C.S. Mott Community College	\$12,627,429
Delta College	\$11,628,420
Glen Oaks Community College	\$1,721,808
Gogebic Community College	\$3,626,213
Grand Rapids Community College	\$16,041,355
Henry Ford Community College	\$17,655,954
Jackson Community College	\$10,761,612
Kalamazoo Valley Community College	\$7,967,756
Kellogg Community College	\$7,081,046
Kirtland Community College	\$2,654,652
Lake Michigan College	\$3,921,588
Lansing Community College	\$25,524,047
Macomb Community College	\$27,644,077
Mid Michigan Community College	\$3,135,176
Monroe Community College	\$2,968,658
Montcalm Community College	\$2,673,514
Muskegon Community College	\$7,344,222
North Central Michigan College	\$2,401,876
Northwestern Michigan College	\$6,874,409
Oakland Community College	\$18,480,029
St. Clair Community College	\$5,800,435
Schoolcraft College	\$9,431,755
Southwestern Michigan College	\$4,399,729
Washtenaw Community College	\$8,826,747
Wayne Community College	\$15,006,750
West Shore Community College	\$1,826,922

Recommended Action:

While public support of higher education would be better accomplished by converting from direct funding to a system of tuition vouchers or tax credits, such a plan may be politically unfeasible at the moment.⁵⁰ Such a system would provide greater incentive for institutions of higher learning to contain costs and make sure as many

resources as possible are dedicated to serving the student's education needs. There are, however, some immediate steps that the Michigan Legislature should take to deal with escalating costs.

Between fiscal year 1984-1985 and fiscal year 1994-95, community college full-time student enrollment increased by approximately 2.2%--from approximately 205,000 to 209,500. During the same period, spending grew by approximately 55.1%--from \$155,457,300 to \$241,205,500.⁵¹ Thus, spending increased more than 25 times as fast as did enrollment, a staggering figure.

Clearly, over the last decade, spending has risen at a disproportionately high rate. This needs to change; and a good way to do this would be to retroactively index spending.

Using 1984-85 as the base year, spending should be indexed to enrollment and inflation, which rose by approximately 2.2% and 41% respectively during the period 1984-1995: $\$155,457,300 * (1 + 0.022 + 0.41)$, which would yield a total of \$222,614,854. Using this estimating formula, Michigan taxpayers would reap a savings of \$22,864,375, as spending for fiscal year 1995-96 would be decreased from \$245,479,179 to the indexed total of \$222,614,854.

⁴⁷ FY 1995-96 Appropriations Report, page 47. Lansing: Senate Fiscal Agency, July 1995.

⁴⁸ 1995 Enrolled House Bill Number 4422, page 18.

⁴⁹ Ibid, pages 17-18.

⁵⁰ See Chodorov, Frank. "Why Free Schools are Not Free" and "Private Schools: The Solution to America's Educational Problem" in *Fugitive Essays: Selected Writings of Frank Chodorov*. Indianapolis: Liberty Press, 1980; Lieberman, Myron. *Beyond Public Education*. New York: Praeger, 1986; Lieberman, Myron. *Public Education: An Autopsy*. Cambridge, MA: Harvard University Press, 1993; Richman, Sheldon. *Separating School and State*. Fairfax, VA: Future of Freedom Foundation, 1994; and Sommer, John W. (editor). *The Academy in Crisis: The Political Economy of Higher Education*. New Brunswick, NJ: Transaction Publishers, 1995.

⁵¹ Public Acts of the State Legislature, 1984 and 1994.

Department of Corrections

Appropriations Summary	Actual⁵²	Recommended	Savings
Interdepartmental Grants:	\$6,628,700	\$6,628,700	0
Federal Funds:	\$5,546,900	\$5,546,900	0
State General Fund/General Purpose:	\$1,268,796,000	\$989,162,316	\$279,633,684
Special Revenue Funds:	\$34,119,200	\$34,119,200	0
Gross Appropriation:	\$1,315,090,800	\$1,035,457,116	\$279,633,684

The Michigan Department of Corrections (MDC) administers Michigan's adult prison, probation, and parole systems. Currently, the state operates 30 penal facilities and a number of correction camps.

The MDC has grown like no other state department over the past 15 years. Total staffing for the department grew from 4,921 in 1980 to 16,803 in 1995; and funding increased from \$172 million to over \$1.3 billion during the same period.⁵³ And unless substantive changes are made, the department's budget will continue to spiral out of control.

Fortunately, there is one very fundamental change that could be implemented within the next fiscal year that would dramatically alter the current state of events--the privatization of correctional facilities. Several states have experienced significant cost savings from the privatization of prisons (including maximum security facilities) with no evidence of decreased quality. Michigan should follow the leads of these states and privatize the management of its facilities immediately.

MDC Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Substance Abuse Treatment	\$1,475,000 ⁵⁴	All from GF/GP

Program Description:

This program funds substance abuse rehabilitation programs to prisoners in the Michigan penal system.

Recommended Action:

Historically, the most effective substance abuse programs have been privately sponsored, such as Alcoholics Anonymous and Teen Challenge. The Department of Corrections should address substance abuse treatment by encouraging private organizations to work with inmates interested in joining substance abuse programs. Where such private assistance is lacking, the Department should redouble its efforts to inform community organizations of the needs, and not resort to state subsidies. The Substance Abuse Treatment program should be replaced with private assistance.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Prisoner Rehabilitation and Education Programs	\$1,367,100 ⁵⁵	All from GF/GP

Program Description:

This program funds the costs incurred for the provision of associate's, bachelor's, master's, and law degree programs for prisoners in the Michigan penal system.

Recommended Action:

As was recommended by a group of state senators and representatives in September of 1993, the state should cease funding for this program immediately; the provision of college education to prisoners is simply not a responsibility of the MDC.⁵⁶

MDC Programs to be Downsized

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Correctional Facilities Administration; Correctional Facilities Clinical Operations	\$879,541,100 ⁵⁷	\$6,027,800 from Interdepartmental Grants; \$544,000 from Federal Funds; \$870,018,500 from GF/GP; \$2,950,800 from Special Revenue Funds

Program Description:

The state currently operates a number of correction camps and 30 penal facilities: Alger Maximum Correctional Facility; Baraga Maximum Correctional Facility; Brooks Correctional Facility; Carson City Correctional Facility; Chippewa Correctional Facility; Cotton Correctional Facility; Florence Crane Correctional Facility; Egeler Correctional Facility; Handlon Michigan Training Unit; Harrison Correctional Facility; Huron Valley Correctional Facility; Ionia Maximum Correctional Facility; Ionia Temporary Facility; Kinross Correctional Facility; Lakeland Correctional Facility; Macomb Correctional Facility; Marquette Branch Prison; Michigan Reformatory; Mid-Michigan Temporary Facility; Mound Correctional Facility; Muskegon Correctional Facility; Oaks Maximum Correctional Facility; Riverside Correctional Facility; Ryan Correctional Facility; Saginaw Correctional Facility; Scott Correctional Facility; Standish Maximum Correctional Facility; State Prison of Southern Michigan; Thumb Correctional Facility; Western Wayne Correctional Facility.

Recommended Action:

Several states, including Florida, Kentucky, Pennsylvania, Tennessee, and Texas, have successfully contracted out all aspects of the management of prison operations, at a savings to the taxpayers of those states. Indeed, as author Wayne Calabrese has written, "cost comparisons have been made that clearly indicate that privatization of correctional facilities leads to significant savings," while "[t]he quality of services delivered by privatized corrections has, in the main, been equal or superior to the quality of correctional services delivered by the public sector."⁵⁸

In a report published by the University of Florida's Center for Studies in Criminology and Law, Charles W. Thomas examined available data on 45 privately managed correctional facilities. And of the private facilities capable of cost comparison with public counterparts, all ten evidenced cost savings--ranging from 10.71 percent to 52.23 percent.⁵⁹ Thus, if the state of Michigan, through privatization, only experienced the average savings in costs that these facilities did, 31.47 percent, a savings of \$276,791,584 could be realized, and appropriations could be reduced from \$879,541,100 to \$602,749,516.

The state of Michigan should become a pioneer in correctional facilities management and privatize the operations of all its penal institutions. The evidence is in: the private sector can do a more cost-efficient and higher quality job than can the state in this area.⁶⁰

⁵² FY 1995-96 Appropriations Report, page 51. Lansing: Senate Fiscal Agency, July 1995

⁵³ "1994 Information Kit," page 5. Lansing: Michigan Department of Corrections, 1995.

⁵⁴ 1995 Enrolled House Bill Number 4418, pages 2-3.

⁵⁵ *Ibid*, page 2.

⁵⁶ Senator Jack Welborn, Representative Dave Jaye, Representative Roland Jersevic, Representative Alvin Kukuk, and Representative Alan Cropsy. "Memorandum: State Budget Vetoes," page 2. Lansing: Michigan House of Representatives, 1993.

⁵⁷ 1995 Enrolled House Bill Number 4418, pages 4-12.

⁵⁸ Calabrese, Wayne H. "Low Cost, High Quality, Good Fit: Why Not Privatization?" in *Privatizing Correctional Facilities*. New Brunswick, NJ: Transaction Publishers, 1993.

⁵⁹ Cited in Calabrese, 1993.

⁶⁰ In addition to the Calabrese article, see Fitzgerald, Randy. "Free-Enterprise Jails: Key to Our Prison Dilemma?." *Reader's Digest*, March 1986; Gordon, Paul. "Justice Goes Private." *Reason*, September 1985; Logan, Charles H. *Private Prisons: Cons and Pros*. New York: Oxford University Press, 1990; McDonald, Douglas C. *Private Prisons and the Public Interest*. New Brunswick, NJ: Rutgers University Press, 1990; Poole, Robert W. "Can Justice Be Privatized." *Fiscal Watchdog*, November 1980; Ring, Charles R. "Private Prisons Need a Fair Trial." *The Wall Street Journal*. May 8, 1987; Sellers, Martin P. *The History and Politics of Private Prisons: A Comparative Analysis*. Cranbury, NJ: Associated University Presses, 1993; and Van Eaton, Charles. "Jail Overcrowding in Michigan: A Public Problem with a Private Solution?." Midland: Mackinac Center for Public Policy, 1989.

Department of Education

Appropriations Summary	Actual⁶¹	Recommended	Savings
Interdepartmental Grants:	\$1,446,300	\$1,446,300	0
Federal Funds:	\$744,495,900	\$656,668,400	\$87,797,500
State General Fund/General Purpose:	\$42,324,300	\$40,528,100	\$1,796,200
Special Revenue Funds:	\$21,794,600	\$21,794,600	0
Gross Appropriation:	\$810,061,100	\$720,467,400	\$89,593,700

The Michigan Department of Education (MDE) is the administrative arm of the State Board of Education, implementing federal and state legislative mandates in the fields of education and rehabilitation. The Board appoints a superintendent of public administration to serve as the principal executive officer of the Department of Education.

The most effective way to improve primary and secondary education in Michigan is to allow full educational choice, where parents are neither prohibited from, nor penalized for, sending their children to a public or private school they choose. However, in the short term, the Department of Education should take immediate steps to streamline its operations by eliminating unnecessary spending.

Below is a list of specific programs that should be marked for either elimination or reduction by the legislature within the next fiscal year.

MDE Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Office of Enrichment and Community Services	\$2,807,900 ⁶²	\$2,397,000 from Federal Funds; \$410,900 from GF/GP

Program Description:

The Office of Enrichment and Community Services includes programs for Native Americans, Race Equity, Sex Equity, Dropout Prevention, Homeless Education, Migrant Education, Bilingual Education, and Compensatory Education.

Recommended Action:

All of the programs that the Office of Enrichment and Community Services conducts should be discontinued. These programs take money from parents and communities, funnel it through the federal bureaucracy, pass it through the state bureaucracy, and give it back to the communities from which it came--less the costs of federal and state bureaucracies. They deprive parents and communities of self-determination in the use of their resources, and require school districts to complete voluminous paperwork and jump through many administrative hoops in order to receive and use the funds. They lack the accountability that characterizes locally funded projects. The Michigan Legislature should demand that Michigan resources are left in Michigan. It should eliminate these programs immediately and request that the federal government cease these wasteful, bureaucratic and redistributive programs.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
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Early Childhood
Education Program

\$1,737,900⁶³

All from Federal Funds

Program Description:

The Early Childhood Education Program funds programs at public schools for pre-kindergarten students.

Recommended Action:

Like other federal grant programs, the Early Childhood Education Program takes money from parents and communities, funnels it through the federal bureaucracy, passes it through the state bureaucracy, and gives it back to the communities from which it came--less the costs of federal and state bureaucracies. This program deprives parents and communities of self-determination in the use of their resources, and requires school districts to complete paperwork and jump through administrative hoops in order to receive and use the funds. It lacks the accountability that characterizes locally funded programs. The Michigan Legislature should demand that Michigan resources be left in Michigan. It should eliminate this program immediately and request that the federal government cease these wasteful, bureaucratic and redistributive programs.

Program

Gross Appropriation

Appropriation Breakdown

Office of Career and
Technical Education

\$3,180,200⁶⁴

\$2,328,600 from Federal Funds;
\$851,600 from GF/GP

Program Description:

The Office of Career and Technical Education monitors the development of educational training and retraining programs and support services for youths and adults; it also provides programs for secondary students at local educational agencies and post-secondary students at community colleges. According to The Michigan Manual, these programs emphasize: "promoting access to quality career and technical education programs for the handicapped, disadvantaged, limited English-speaking, single parents, homemakers, and criminal offenders; providing program improvement activities such as equipment purchases, curriculum development, and technical updating of teachers; promoting cooperation and collaboration between public agencies and the private sector in preparing individuals for employment; and promoting coordination and collaboration between general education and career in and technical education."⁶⁵

Recommended Action:

As with the above programs, the Michigan Legislature should refuse to accept federal funding for this program and demand that the resources be left in the communities for them to use as they deem fit. As was stated earlier in our discussion of the community college budget, job and technical employment training is fundamentally the responsibility of the private sector and individuals themselves, not the state.⁶⁶ Moreover, these programs are objectionable on the basis that many of them are only available to certain targeted groups such as criminal offenders and limited English speakers--instead of the population as a whole.

Program

Gross Appropriation

Appropriation Breakdown

Office of Minority Equity

\$911,000⁶⁷

\$376,400 from Federal Funds;
\$534,600 from GF/GP

Program Description:

The Office of Minority Equity--which operates within the Higher Education Management Services Division--investigates reports on barriers to minority success on state college campuses; recruits minority instructors to the state's public colleges; and annually publishes a book that lists positions available to minority instructors as well as chronicles the success of minority instructors throughout the state.

Recommended Action:

This program allocates state resources based on race and is inherently discriminatory. The state should end all programs that allocate benefits on the basis of race and adopt instead a color-blind policy of non-discrimination.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Grant and Distribution Program	\$709,322,100 ⁶⁸	All From Federal Funds

Program Description:

For fiscal year 1995-96, the Grant and Distribution program awarded, among others, the following grants:

AIDS Education Grants	\$150,000
Competitive Child Care and Development Grants	\$480,000
Christa McAuliffe Grants	\$77,600
Drug Free Schools Grants	\$14,000,000
Foreign Language Grants	\$593,600
Emergency Immigrant Grants	\$300,000
Homeless Children and Youth Grants	\$833,000
Job Training Partnership Act	\$7,952,700
Migrant Even Start Program	\$282,300
Pre School Grants	\$12,136,800
School to Work Grants	\$1,800,000
Serve America Grants	\$680,000
State Literacy Resource Center Grant	\$263,600
Surplus Commodity Grant	\$2,506,000
Systems Change for Inclusive Education Grant	\$266,400
Teacher Corps Scholarship Program Grant	\$158,400
Vocational Education Act of 1963 Grant	\$38,507,200

Recommended Action:

None of the grant programs listed above--which amount to only 11.4% of total expenditures for the entire Grant and Distribution program--are vital to the successful functioning of public schools throughout the state. Instead they are either subsidies for certain special interest groups (such as the Foreign Language Grant); subsidies to private industry (such as the Job Training Partnership Act, the School to Work Grants, and the Vocational Education Act of 1963 Grant); or programs that simply should be beyond the purview of government and should be left up to communities and families (such as the AIDS Education Grant, the Competitive Child Care Grant, and the Drug Free Schools Grant). These grants should be eliminated, producing a savings of \$80,957,600.

⁶¹ FY 1995-96 Appropriations Report, page 57. Lansing: Senate Fiscal Agency, July 1995

⁶² 1995 Enrolled Senate Bill Number 4419, page 4.

⁶³ Ibid, pages 4-5.

⁶⁴ Ibid, page 6.

⁶⁵ *The Michigan Manual: 1993-94 Senate*. Lansing: The Legislative Service Bureau, 1993.

⁶⁶ See Bovard, James. "The Failure of Federal Job Training." Cato Institute Policy Analysis Number 77. Washington: Cato Institute, 1986.

⁶⁷ 1995 Enrolled House Bill Number 4419, page 6.

⁶⁸ Ibid, pages 7-8.

General Government

Appropriations Summary	Actual⁶⁹	Recommended	Savings
Interdepartmental Grants:	0	0	0
Federal Funds:	\$4,109,800	\$4,109,800	0
State General Fund/General Purpose:	\$102,983,700	\$95,109,317	\$7,874,383
Special Revenue Funds:	\$161,900	\$161,900	0
Gross Appropriation:	\$107,255,400	\$78,362,127	\$7,874,383

For the purposes of this paper, the term General Government will refer to expenditures in the following three areas: operating costs for the Executive Office, the State Legislature, and the Library of Michigan. All three of these are characterized by excessive bureaucracy. The Legislature should take this opportunity to correct this problem, and implement the changes listed below.

General Government Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Grant to the Detroit Public Library	\$5,871,600 ⁷⁰	All from GF/GP

Program Description:

This grant directly subsidizes the operations of the Detroit Public Library.

Recommended Action:

The City of Detroit lacks the political will on the part of the Mayor and City Council to deal effectively with many problems that diminish the City's quality of life. For example, City officials have refused to take even simple steps to save money--such as privatization--that almost every other Michigan community has considered, and often implemented, in some form. The City could save tens, if not hundreds, of millions of dollars by such methods, but its officials have refused to do so, a major reason being the objections of public employee labor unions. It could increase its tax base and spur economic growth by reducing the crushing tax burden that is many times the state average. The citizens of outstate Michigan should be concerned that their tax dollars are going to subsidize an inefficient city government that in many ways is its own worst enemy. At a minimum, the Michigan Legislature should demand that the City of Detroit implement basic reforms as a precondition for any future state aid. A few straightforward policy changes would provide the City with much more than the \$5 million it currently receives from this subsidy. As with other communities, the City of Detroit should not rely on state funding for its library.

General Government Programs to be Downsized

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Michigan Library Historical Center	\$2,002,783 ⁷¹	All from GF/GP

Program Description:

Included in the line item "Library of Michigan Operations" are funds appropriated for the Michigan Library Historical Center, which is a museum housed inside the Library of Michigan. Exhibits at the museum are often changed or rotated; thus allowing for a wide variety of exhibits to be housed.

Recommended Action:

The Historical Center is a wonderful facility, but should not be a function of state government. The state should transfer ownership of the museum to a university, foundation or other private owner, giving it the same independence that private museums enjoy. The museum is simply not necessary to the successful operations of the library.

⁶⁹ 1995 Enrolled Senate Bill Number 298, pages 4-7.

⁷⁰ Ibid, page 7.

⁷¹ Ibid, page 7.

Higher Education

Appropriations Summary	Actual⁷²	Recommended	Savings
Interdepartmental Grants:	0	0	0
Federal Funds:	\$5,149,700	\$5,149,700	0
State General Fund/General Purpose:	\$1,423,887,400	\$1,216,843,473	\$207,043,927
Special Revenue Funds:	0	0	0
Gross Appropriation:	\$1,429,037,100	\$1,221,993,173	\$207,043,927

The Higher Education budget directly funds the operations of Michigan's 13 public four year universities. In addition, the budget also contains appropriations for the following programs: the Martin Luther King, Jr. - Cesar Chavez - Rosa Parks College Day Program; the Martin Luther King, Jr. - Cesar Chavez - Rosa Parks Future Faculty Fellowship Program; the Grant and Financial Aid Program; and various state and regional programs--all of which should be slated for either elimination or reduction.

As is the case with Michigan's community colleges, the rate of increase in higher education expenditures has far exceeded the rate of increase in enrollment and inflation. To remedy this problem, expenditures should be retroactively indexed to enrollment and inflation. This would produce an immediate, and long overdue, savings to the Michigan taxpayer, and encourage changes that would increase the efficiency of these institutions.

Higher Education Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Martin Luther King, Jr. - Cesar Chavez - Rosa Parks College Day Program	\$1,141,410 ⁷³	All from GF/GP

Program Description:

The Martin Luther King, Jr. - Cesar Chavez - Rosa Parks College Day Program sends students grade 6-11 to the campuses of Michigan's public universities for day and overnight stays. The purpose of the program is to motivate these students to attend college, as well as to teach them about college admission requirements, help them explore career possibilities, as well as allow them to interact with faculty. The program is targeted toward minority students.

For fiscal year 1995-96, Martin Luther King, Jr. - Cesar Chavez - Rosa Parks College Day Program funds will be allocated as follows:

Central Michigan University	\$85,765
Eastern Michigan University	\$101,930
Ferris State University	\$53,024
Grand Valley State University	\$36,139
Lake Superior State University	\$13,590
Michigan State University	\$211,480
Michigan technological University	\$34,903
Northern Michigan University	\$39,022
Oakland University	\$60,334
Saginaw Valley State University	\$24,504
University of Michigan - Ann Arbor	\$173,076
University of Michigan - Dearborn	\$31,814

University of Michigan - Flint	\$28,108
Wayne State University	\$145,894
Western Michigan University	\$101,827

Recommended Action:

The Martin Luther King, Jr. - Cesar Chavez - Rosa Parks College Day Program should be terminated. State resources should not be distributed on the basis of race or ethnicity.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Martin Luther King, Jr. Cesar Chavez - Rosa Parks Future Faculty Fellowship Program	\$1,156,144 ⁷⁴	All from GF/GP

Program Description:

The Martin Luther King, Jr. - Cesar Chavez - Rosa Parks Future Faculty Fellowship Program grant loans to minority students working towards Master's and Doctoral degrees at Michigan's public universities. If the student is a Michigan resident, 1/3 of his debt is canceled upon graduation. Additional forgiveness will accrue at the rate of \$5,000 for each year within the pay back period that the borrower is employed in a full-time teaching position at a Michigan public or independent 2- or 4-year college or university.

For fiscal year 1995-96, Martin Luther King, Jr. - Cesar Chavez - Rosa Parks Future Faculty Fellowship Program funds will be allocated as follows:

Central Michigan University	\$114,389
Eastern Michigan University	\$114,080
Ferris State University	\$34,389
Grand Valley State University	\$34,389
Lake Superior State University	\$34,389
Michigan State University	\$114,492
Michigan Technological University	\$114,492
Northern Michigan University	\$34,389
Oakland University	\$114,492
Saginaw Valley State University	\$34,389
University of Michigan - Ann Arbor	\$114,492
University of Michigan - Dearborn	\$34,389
University of Michigan - Flint	\$34,389
Wayne State University	\$114,492
Western Michigan University	\$114,492

Recommended Action:

The Martin Luther King, Jr. - Cesar Chavez - Rosa Parks Future Faculty Fellowship Program should be eliminated immediately. State resources should not be distributed on the basis of race or ethnicity.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Martin Luther King, Jr. - Cesar Chavez - Rosa Parks Program	\$2,457,077 ⁷⁵	All from GF/GP

Program Description:

Listed as a separate line item from the college day program and the future faculty fellowship program, this program subsidizes the salaries of visiting minority faculty at Michigan's public colleges, as well as oversees and manages the aforementioned college day and future faculty fellowship program.

Recommended Action:

The Martin Luther King, Jr. Cesar Chavez - Rosa Parks Program should be eliminated immediately. State resources should not be distributed on the basis of race or ethnicity.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Michigan Resident Student Equity Grant to the University of Michigan - Ann Arbor	\$8,322,856 ⁷⁶	All from GF/GP

Program Description:

Listed under the line item "operations" for the University of Michigan-Ann Arbor, the Michigan Resident Student Equity Grant is dependent upon the University preparing and submitting a plan to the Michigan Department of Management and Budget and the Appropriations Committees of both the House and the Senate that specifies how the university will reduce non-resident undergraduate enrollment to 30% or less for the 1995-96 academic year. The grant helps offset the loss of the higher tuition that non-resident students pay.

Recommended Action:

The state should be less concerned about the level of non-resident enrollment at the University of Michigan and more concerned about the overall quality of education that undergraduates receive there. Indeed, if anything, the University should be commended for being capable of attracting many out-of-state students--students who come to the University due to its high academic reputation and pay fees greatly higher than do in-state students. This grant, and all requirements placed upon the University for accepting it, should be immediately eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Agricultural Experiment Station	\$27,437,137 ⁷⁷	All from GF/GP

Program Description:

The Agricultural Experiment Station (AES), based at Michigan State University (MSU), conducts research on topics relating to Michigan agriculture. Past projects conducted by the Station include the Status and Potential of Michigan Agriculture Project (SAPMA), which assessed the status of 22 Michigan agricultural commodities or farming enterprises and developed estimates for potential growth; and the Status and Potential of Michigan Natural Resources Project (SAPMINR), which looked at Michigan's natural resources, identifying trends and future opportunities. In addition to the MSU office, AES has 14 branch offices throughout the state.

Recommended Action:

As with other industries, from automobiles to furniture to chemicals, the Michigan agricultural industry should be responsible for conducting its own research. Michigan farmers, their trade associations, and the Michigan agricultural industry at large--not the state of Michigan and its taxpayers--should determine what research is needed and provide for its funding. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Cooperative Extension Service	\$23,630,736 ⁷⁸	All from GF/GP

Program Description:

The Cooperative Extension Service program conducts courses at universities throughout the state for non-student residents. Examples of courses offered include handicapped horseback riding, sewing, pottery, etc.

Recommended Action:

The Cooperative Extension Service program (co-op) could be handled effectively by the private sector. Indeed, there are a number of private schools throughout the state that already offer co-op style classes to people of all ages. The state should discontinue this program.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Japan Center for Michigan Universities	\$300,000 ⁷⁹	All from GF/GP

Program Description:

The Japan Center for Michigan Universities, in arrangement with universities throughout the state, organizes a student exchange program with the University of Shiga. It also provides assistance for students from Michigan universities while they are studying in Japan.

Recommended Action:

This program is duplicative of a number of programs conducted by universities and private organizations throughout the state; it should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Michigan Molecular Institute Grant	\$154,500 ⁸⁰	All from GF/ GP

Program Description:

The Michigan Molecular Institute is a private organization based in Midland. This grant provides funding for students interested in working at the Institute and assisting its staff with developing manufacturing processes for carbon filaments/polymers.

Recommended Action:

The Governor has recommended the elimination of this grant. Unfortunately, the state legislature has declined to do so. Funding for research and development, while very important, should be provided through private capital investment or private foundation grants, not by state government. The same is true for educational internships in this area. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Higher Education Database Modernization and Conversion	\$250,000 ⁸¹	All from GF/GP

Program Description:

This program is a one-time appropriation to support the modernization and conversion of the state's higher education databases. The conversion will include all federal and state collected higher education data.

Recommended Action:

There is no reason for the taxpayer to be burdened with this additional expense, as all vital data is presently, and could continue to be, handled by the current database system. Moreover, the universities, given their outstanding computer facilities, should be asked to bear a greater percentage of the burden of handling, processing, and storing higher education data.

Higher Education Programs to be Downsized

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Grants and Financial Aid	\$120,961,380 ⁸²	\$5,149,700 from Federal Funds;

Program Description:

The Grants and Financial Aid Division conducts, among others, the following programs--all of which should be eliminated:

- The Tuition Grant Program, which awards grants to financially needy students attending private, independent colleges within Michigan.
- The Grant for Indian Tuition Waivers Program, which funds, in its entirety, the education of Native American residents, should the student choose to attend a Michigan public college or university. In order to qualify for the program, one must be at least 1/4 Native American.
- The Tuition Incentive Program (TIP), which reimburses tuition and mandatory fees to community colleges, public universities, independent non-profit degree granting colleges or universities, or Michigan tribally controlled community colleges for associate degree or certificate programs. The payments shall not exceed an amount equal to the average current in-district resident community college rate with a different amount for university participants. In order to be eligible for TIP, a student must meet all of the following categories: (1) the student must be a resident of Michigan; (2) the student's family's income is or was at the poverty level within the preceding year; (3) the student was under 20 at the time of graduation or GED completion; (4) the student graduated from high school not more than 4 years before application.
- The Grant for Michigan Resident Dental Graduates Program, which subsidizes the education of dental students at the University of Detroit-Mercy via grants and loans.
- The Part-time Independent Student Program, which provides need-based grants of up to \$600 a year to part-time students attending Michigan's public universities.
- The Michigan Education Opportunity Grant Program, which assists financially needy undergraduates who are enrolled at least half-time at a Michigan community college or public college or university.
- The Grant for Allied Health Graduates Program, which awards grants to private independent colleges within Michigan that have health and nursing degree programs. The size of the grant is dependent upon the number of Michigan residents who graduate from these programs within a given year.
- The Paul Douglas Teacher Scholarship Program, which awards grants to students pursuing education degrees at Michigan colleges and universities.

Recommended Action:

These grants should be eliminated, producing a savings of \$77,898,458. These programs take money from students and parents through taxes, pass it through the administrative bureaucracies of the many grant programs, and return it to students--less the costs of collection and administration overhead. State subsidies also drive up the costs of higher education. The state of Michigan should adopt a policy that encourages students to rely on their families, themselves, private foundations and scholarships, and private business grants and loans to fund their education. Students should be independent of the state for financing their educational needs, just as they should be for their food, clothing and shelter.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Public University Operations	\$1,242,667,859 ⁸³	All from GF/GP

Program Description:

Michigan's 13 public four-year universities are located throughout the state. Eight institutions and the two branch campuses are located in metropolitan areas of southern Michigan. Two institutions are in the central part of the Lower Peninsula and three are located in the Upper Peninsula. Currently, about 259,000 full-time students attend Michigan's public universities.

Three of these institutions--the University of Michigan in Ann Arbor, Michigan State University, and Wayne State University--have large undergraduate, graduate and professional programs. Five institutions--Western Michigan University, Eastern Michigan University, Central Michigan University, Oakland University, and Northern Michigan University--offer primarily undergraduate programs, but also offer some graduate programs. Programs in specialized areas are emphasized at two institutions: Michigan Technological University, which offers primarily engineering courses; and Ferris State University, which offers primarily vocational and technical programs. Three

institutions, as well as the University of Michigan's two branch campuses in Flint and Dearborn, offer primarily undergraduate liberal arts programs; they are: Grand Valley State University, Saginaw Valley State University, and Lake Superior State University.

For fiscal year 1995-96, Public University Operations funds will be allocated as follows:

Central Michigan University	\$63,369,584
Eastern Michigan University	\$69,751,722
Ferris State University	\$44,227,868
Grand Valley State University	\$37,134,976
Lake Superior State University	\$11,211,890
Michigan State University	\$255,348,261
Michigan Technological University	\$42,963,463
Northern Michigan University	\$42,044,250
Oakland University	\$38,092,597
Saginaw Valley State University	\$18,430,980
University of Michigan - Ann Arbor	\$280,136,557
University of Michigan - Dearborn	\$19,760,212
University of Michigan - Flint	\$17,854,497
Wayne State University	\$204,917,621
Western Michigan University	\$97,423,381

Recommended Action:

Although the direction of higher education funding should be toward using tuition vouchers or tax credits to replace direct state grants to public universities, such changes are not politically feasible at the moment. Such a move will provide greater incentives for universities to control growing costs, a problem that the state legislature should take more immediate steps to address.

Between fiscal year 1984-1985 and fiscal year 1994-95 public university full time student enrollment increased by approximately 14.1%--from approximately 226,000 to 258,000. At the same time, spending grew by approximately 57.1%--from \$759,750,000 to \$1,193,792,577.⁸⁴ Thus, spending increased more than 4 times as fast as did enrollment--a staggering figure.

Clearly, over the last decade, spending has risen at a disproportionately high rate. This needs to change; and a good way to do this would be to retroactively index spending.

Using fiscal year 1984-85 as the base year, we would index spending to enrollment and inflation, which rose by approximately 14.1% and 41% respectively during the period 1984-1995: $\$759,750,000 * (1 + 0.141 + 0.41)$, which would yield a total of \$1,178,372,250. Thus, using this formula--which, by any measure, one would have to regard as equitable--the Michigan taxpayer would reap a savings of \$64,295,609, as spending for fiscal year 1995-96 would be decreased from \$1,242,667,859 to the indexed total of \$1,178,372,250.

⁷² FY 1995-96 Appropriations Report, page 63. Lansing: Senate Fiscal Agency, July 1995

⁷³ 1995 Enrolled House Bill Number 4425, pages 1-3.

⁷⁴ Ibid, pages 1-3.

⁷⁵ Ibid, page 4.

⁷⁶ Ibid, page 3.

⁷⁷ Ibid, pages 3-4.

⁷⁸ Ibid, pages 3-4.

⁷⁹ Ibid, pages 4-5.

⁸⁰ Ibid, pages 3-4.

⁸¹ Ibid, page 4.

⁸² Ibid, page 4.

⁸³ Ibid, pages 1-3.

⁸⁴ Public Acts of the State Legislature, 1984 and 1994.

Jobs Commission

Appropriations Summary	Actual⁸⁵	Recommended	Savings
Interdepartmental Grants:	\$200,000	0	\$200,000
Federal Funds:	\$403,583,100	0	\$403,583,100
State General Fund/General Purpose:	\$112,790,900	0	\$112,790,900
Special Revenue Funds:	\$13,210,600	0	\$13,210,600
Gross Appropriation:	\$529,784,600	0	\$529,784,600

Previously an independent state agency, the Michigan Jobs Commission (MJC) was incorporated as a state department on February 28, 1995.

The mission statement of the MJC reads as follows: "The Michigan Jobs Commission works in partnership with local communities and existing businesses to retain and expand job opportunities and improve Michigan's overall business climate."⁸⁶ It attempts to attain this goal through the implementation of a wide variety of programs, many of which have recently been transferred to the MJC from the Departments of Labor and Commerce.

In addition to attaining Departmental status, the Michigan Jobs Commission has also increased a great deal in size over the past year. According to Governor John Engler, "In 1995, the Michigan Jobs Commission will significantly expand what is now recognized as one of the nation's most ambitious job creation strategies."⁸⁷ And indeed it has; the budget of the Michigan Jobs Commission for fiscal year 1995-1996 totals \$529,784,600, an increase of over 50 percent from its 1994-1995 budget of \$352,204,500.

General Recommendation

The 1,000-employee Michigan Jobs Commission is Michigan's department of corporate welfare, and a clear manifestation of political society. While Governor Engler has been a national leader in the reform of government assistance for the poor, he has presided over the growth of government assistance for profitable corporations. The existence of the Jobs Commission is based on several flawed premises and opportunistic political considerations such as:

- It assumes that state bureaucrats can foster wealth and job creation better than individual consumers, workers, bankers, insurers, investors, and managers whose collective decisions form the market economy.
- It assumes that the efforts of trade associations, industry groups, Chambers of Commerce, law and accounting firms, universities, and a host of specialty consultants are insufficient to provide businesses the expertise they need to grow and prosper in Michigan, and that state bureaucrats should supplement the services these organizations already provide.
- It assumes that engaging in an economic "war between the states" through selective tax credits and subsidies for large corporations is a more effective economic development strategy than across-the-board tax relief.
- It reflects the political fear that public officials will be seen as "doing nothing" to encourage economic development if they only remove barriers to the efficient operation of the free-market economy and refrain from state intervention.

The fact is that all the business support services provided by the Michigan Jobs Commission, if truly necessary, can be, and most often are already, provided by private sector firms. The subsidy programs are subject to

political considerations, and there is no reason to believe that state bureaucrats can invest capital any better than private sector financial institutions and Michigan companies themselves. Michigan does not need a government-directed industrial policy; it needs leadership that understands and respects the operation of a free-market economy.

It is therefore recommended that the Michigan Jobs Commission be eliminated entirely. While this will mean forgoing significant federal dollars, it will free significant state resources--over \$110 million--to be returned to Michigan citizens and businesses. Instead of focusing on expanding so-called "pro-business" programs, the Governor and Legislature should recognize the institutions of civil society that generated tremendous wealth in Michigan long before that advent of pervasive government intervention. What follows is a description of various Jobs Commission programs and their associated costs.

MJC Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Unclassified Salaries; Executive Direction	\$1,638,300 ⁸⁸	All from GF/GP

Program Description:

Unclassified Salaries and Executive Direction set policy for the Jobs Commission as a whole.

Recommended Action:

With the elimination of the Jobs Commission comes the ability to eliminate these appropriations from the budget.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
K.I. Sawyer and Wurtsmith Base Conversion Authorities Grants;	\$500,900 ⁸⁹	\$58,000 from Interdepartmental \$442,900 from GF/GP

Program Description:

K.I. Sawyer and Wurtsmith are two former United States Military bases that were closed upon approval of the federal Base Conversion Authority Panel's recommendation.

Recommended Action:

The state should sell the remaining areas of these bases that it still owns as soon as possible, since they currently are a drain on Michigan taxpayers. Indeed, the Department of Management and Budget recommended such an action over three years ago, writing, "The state must aggressively pursue its options and locate an appropriate buyer."⁹⁰

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Department Operations	\$8,115,800 ⁹¹	\$1,675,900 from Federal Funds; \$5,737,300 from GF/GP; \$702,600 from Special Revenue Funds

Program Description:

Included in Department Operations are the following programs: Administrative Services, which provide support services, such as computer and accounting services, to the Department; Rent and Property Development Services, which are the housing costs incurred by the MJC; and Worker's Compensation, which are the costs incurred by the state from providing Worker's Compensation to employees within the MJC.

Recommended Action:

With the elimination of the Jobs Commission comes the ability to eliminate these appropriations from the budget.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Economic Retention and Expansion	\$32,066,500 ⁹²	\$42,000 from Interdepartmental Grants; \$2,425,200 from Federal Funds; \$27,270,600 from GF/GP; \$2,328,700 from Special Revenue Funds

Program Description:

Included in Economic Retention and Expansion are the following programs:

- The Michigan International Trade Authority, which provides export financing assistance for Michigan companies; it also lobbies foreign countries to buy Michigan goods--particularly agricultural goods. This program maintains offices in Europe, Asia, Africa, Canada, and Mexico.
- The Travel Bureau, which advertises throughout the United States on behalf of the Michigan tourism industry, in an attempt to increase tourism in the state.
- The Michigan Promotion Program, which attempts to demonstrate to non-Michiganians, through large advertising campaigns, that Michigan is a nice place to live and a good place to do business.
- Business Services, which encourages and financially assists minority-owned, women-owned, and handicapper-owned businesses.

Recommended Action:

All of the programs within the Economic Retention and Expansion division are examples of corporate welfare. Businesses, not Michigan taxpayers, should be responsible for their promotional activities and financial services.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Workforce Development	\$75,620,100 ⁹³	\$50,000 from Interdepartmental Grants; \$61,955,900 from Federal Funds; \$8,984,100 from GF/GP; \$4,630,100 from Special Revenue Funds

Program Description:

Included in Workforce Development are the following programs:

- Employment Training Services, which attempts to provide "workers with the skills they need to get the job done."⁹⁴ It has proposed to reach this goal by establishing 10 state-run skilled trade academies within the next four years; matching selected employers' contributions toward training services for their employees; and funding worker recruitment conferences and job fairs for prospective employers and employees in the state.
- The State Technical Institute and Rehabilitation Center, which provides vocational and technical training and a wide range of support services to adults with disabilities. Located on a 32 acre campus near Plainwell, it offers 16 training programs, varying in length from 2 semesters to 2 years.
- The Drug and Alcohol Abuse Referral Monitoring Agency, which informs employees and employers of substance abuse rehabilitation programs that may be of help and, in some cases, assists them financially with the cost of such programs.

Recommended Action:

Let us look at each of the programs individually:

The **Employment Training Services Program** is attempting to meet a real need, since many students graduate from Michigan high schools without necessary job skills, and must be retrained prior to entering the work force. There currently exist, however, numerous vocational and job training programs sponsored by community colleges, labor unions, public schools, for-profit educational firms, and businesses themselves. This program reflects the Jobs Commission's expansionist mentality, which sees a government solution to every perceived inadequacy.

Many companies have a long and honorable history of providing training to their employees. For example, the Big Three automakers all have outstanding apprenticeship programs for employees wishing to work as skilled tradesmen at those companies--programs that have been both effective, and cost-free to the Michigan taxpayer. This tradition will continue as long as there are employers in need of employees and employees in need of work--a phenomenon that is not likely to go away. While there may be problems with the quality and type of education offered today, these problems are more likely due to the intervention of government rather than its absence. The institutions of civil society are perfectly capable of providing job training. Those who want to make sure that the educational resources provided meet the needs of the marketplace should be promoting educational choice, not Jobs Commission schools.⁹⁵

The **State Technical Institute and Rehabilitation Center** should be eliminated for the reasons above.

The **Drug Abuse and Alcohol Referral Monitoring Agency** and the **Community Substance Abuse, Prevention, Education, and Treatment Grant Program** should immediately be eliminated. As with any other support services that companies provide to their employees, substance abuse treatment should be paid for by employers.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Departmental Grants	\$380,653,000 ⁹⁶	\$50,000 from Interdepartmental Grants; \$307,526,100 from Federal Funds; \$68,717,700 from GF/GP; \$4,359,200 from Special Revenue Funds

Program Description:

For the current fiscal year, the following grants have been appropriated:

Job Training Partnership Act Subgrantees	\$162,829,500
Michigan Community Service Commission Subgrantees	\$6,675,000
Displaced Homemakers	\$382,000
Supported Employment Grants	\$1,043,900
Technology Assistance Grants	\$979,000
Vocational Rehabilitation Client Services	\$33,288,800
Vocational Rehabilitation Independent Living	\$936,300
Personal Care Attendants	\$155,500
School-to-Work Subgrantees	\$9,000,000
Trade Academy Grants	\$500,000
Economic Development Job Training Grants	\$36,200,000
Work First Grants	\$65,901,500
CDBG Pass Through Grant	\$61,257,000
State Research Fund	\$750,000
Michigan Transition Initiative Grants	\$454,500
Resource Recovery Revolving Loan Fund	\$300,000

Recommended Action:

The Grant Program--the primary program conducted by the MJC before it was incorporated as a Department--is an unnecessary expenditure of taxpayer dollars; it should be eliminated. As discussed earlier in regard to the Employment Training Program, job training and industry research is fundamentally the responsibility of employers, potential employees, and private organizations, not state government.

⁸⁵ FY 1995-96 Appropriations Report, page 92. Lansing: Senate Fiscal Agency, July 1995

⁸⁶ "Michigan Means Business," page 2. Lansing: Michigan Jobs Commission, 1994.

⁸⁷ "1995 Jobs Agenda: Even More Good Jobs for Michigan," page 2. Lansing: Michigan Jobs Commission, 1995.

⁸⁸ 1995 Enrolled Senate Bill Number 297, page 6.

⁸⁹ Ibid, page 6.

⁹⁰ "Privatization in Michigan: Recommendations to the Governor," page 46. Lansing: Department of Management and Budget, 1992.

⁹¹ 1995 Enrolled Senate Bill Number 297, page 7.

⁹² Ibid, page 7.

⁹³ Ibid, pages 7-8.

⁹⁴ "1995 Jobs Agenda: Even More Good Jobs for Michigan," page 3. Lansing: Michigan Jobs Commission, 1995.

⁹⁵ See Bovard, James. "The Failure of Federal Job Training." Cato Institute Policy Analysis Number 77. Washington: Cato Institute, 1986; Huchison, Harry and Lawrence M. Reed. "Educational Choice for Michigan." Midland: Mackinac Center for Public Policy, 1991; and "Modern Schools for Michigan: An Outline for Educational Reform." Midland: Mackinac Center for Public Policy, 1993.

⁹⁶, page 8.

Department of Labor

Appropriations Summary	Actual⁹⁷	Recommended	Savings
Interdepartmental Grants:	\$2,972,800	\$2,972,800	0
Federal Funds:	\$143,373,400	\$143,373,400	0
State General Fund/General Purpose:	\$27,495,800	\$25,007,640	\$2,488,160
Special Revenue Funds:	\$74,112,500	\$29,729,700	\$2,772,000
Gross Appropriation:	\$247,954,500	\$242,694,340	\$5,260,160

The Michigan Department of Labor (MDL) operates a number of federally mandated programs, such as the Commission on Handicapper Concerns and the Commission for the Blind. Nevertheless, there are many programs in the Labor budget that originate from Lansing that should be eliminated or reduced; they are listed below.

MDL Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Pre-college Programs in Engineering and the Sciences	\$452,900 ⁹⁸	All from GF/GP

Program Description:

The Pre-college Programs in Engineering and the Sciences are conducted for 7th to 12th grade students in the Detroit public school system. The programs are designed to "prepare and motivate" minority students to pursue degrees in engineering or the sciences.

Recommended Action:

It is true that a regrettably low number of minority students from the Detroit public school system attend college, and that an even smaller number attend college to pursue an engineering or science degree. This program, however, allocates state resources based on race and is inherently discriminatory. The state should end all programs that allocate benefits on the basis of race and ethnicity and adopt instead a color-blind policy of non-discrimination.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Boiler Inspection Program; Elevator Inspection Program	\$2,772,000 ⁹⁹	All from Special Revenue Funds

Program Description:

The Board of Boiler Rules runs the Boiler Inspection program. It is comprised of 11 members and performs the following duties: prescribes uniform rules for boilers; provides for the licensing of boiler inspectors, installers, and repairers; sets fees for licenses, permits, inspections, and certificates; provides penalties for the violation of codes, rules, and standards.

The Elevator Safety Board runs the Elevator Inspection program. It is comprised of 10 members and performs the following duties: promulgates rules regarding the use of elevators; prepares examinations of elevators; issues elevator contractor licenses.

Recommended Action:

The Boiler and Elevator Inspection programs should be eliminated. As the Department of Management and Budget has written: "The state is unable to keep up with elevator inspections. The owners of buildings and their insurers have a compelling financial interest in making certain elevators are in safe working order. The state should discontinue this function and allow the private sector to develop elevator inspections as an industry. [T]he same argument made for elevator inspections is appropriate for boiler inspections."¹⁰⁰

MDL Programs to be Downsized

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Unclassified Salaries; Administration	\$5,074,200 ¹⁰¹	All from GF/GP

Program Description:

The line items described as "Unclassified Salaries" and "Administration" set policy for the Department of Labor as a whole.

Recommended Action:

With the elimination of approximately 20% of the Labor budget, comes to ability to downsize these appropriations by a commensurate amount, thus producing a savings of \$1,014,840.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Rent; Property Development Charges	\$2,519,100 ¹⁰²	All from GF/GP

Program Description:

These line items describe the fees incurred by the department for rent and property development.

Recommended Action:

With the elimination of approximately 20% of the Labor budget comes the ability to downsize these appropriations by a commensurate amount, thus producing a savings of \$503,820.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Grant to Department of Commerce	\$1,033,200 ¹⁰³	All from GF/GP

Program Description:

The Michigan Department of Labor grant to the Department of Commerce is directed to MDC's administrative services division.

Recommended Action:

With the elimination of approximately 50% of the Commerce budget comes the ability to downsize this appropriation by a commensurate amount, thus producing a savings of \$516,600.

⁹⁷ FY 1995-96 Appropriations Report, page 74. Lansing: Senate Fiscal Agency, July 1995

⁹⁸ 1995 Enrolled Senate Bill Number 297, page 10.

⁹⁹ Ibid, page 10.

¹⁰⁰ "Privatization in Michigan: Recommendations to the Governor," page 39. Lansing: Department of Management and Budget.

¹⁰¹ 1995 Enrolled Senate Bill Number 297, pages 9-10.

¹⁰² Ibid, page 10.

¹⁰³ Ibid, page 11.

Department of Management and Budget

Appropriations Summary	Actual¹⁰⁴	Recommended	Savings
Interdepartmental Grants:	\$43,317,000	\$42,957,000	\$360,000
Federal Funds:	\$65,625,100	\$26,362,600	\$39,262,500
State General Fund/General Purpose:	\$50,452,500	\$20,996,050	\$29,456,450
Special Revenue Funds:	\$69,365,900	\$67,739,900	\$1,626,000
Gross Appropriation:	\$228,760,500	\$158,055,550	\$70,704,950

The Michigan Department of Management and Budget (MDMB) is perhaps the best example of a state department that has grown to conduct programs well beyond its stated purposes. While its primary function is to "provide financial recordkeeping, systems development, property management, capital facility development, procurement, retirement, and office support services to state agencies" and to prepare, present, and execute "the state budget on behalf of the governor," it actually performs programs that bear absolutely no relation to the purposes just described.¹⁰⁵ Examples include: the Office of Services to the Aging, the Office of Drug Control Policy, and the Professional Development Fund. The state should act swiftly to correct this; it should, by beginning the process of eliminating programs not vital to the stated purposes of the department, return the MDMB to its original stature: an interdepartmental service and management agency.

MDMB Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Child Care Information and Referral Services	\$360,000 ¹⁰⁶	All from Interdepartmental Grants

Program Description:

This program assists state employees in locating affordable licensed child care within their community. The appropriation "represents amounts included within various appropriations for longevity and insurance, whether appropriated as a single line item or commingled with program line items, throughout state government for the current fiscal year."¹⁰⁷ Thus, while funding for the program is technically from Interdepartmental Grants, a more accurate statement would be that funding for the program comes from the general fund via various state agencies.

Recommended Action:

It is difficult to imagine that state employees have such trouble finding child care providers that the activity must be handled by state government and funded by Michigan taxpayers. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Professional Development Fund-MPES; Professional Development Fund-UAW; Professional Development Fund-Local 31-M; Professional Development Fund-MSD; Professional Development	\$1,276,000 ¹⁰⁸	All from Special Revenue Funds

Fund-Nonexclusively
Represented Employees

Program Description:

These programs provide retraining, in service training, seminars, workshops, and conferences for members of the aforementioned organizations.

Recommended Action:

Organized labor is an example of a private sector institution that has played an important role in advancing the interests of workers. However, labor unions and their programs, like corporations, should not be subsidized by taxpayers for job training or any other reason. They should be required to earn their support from the voluntary contribution of their members. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Martin Luther King Holiday Commission	\$24,300 ¹⁰⁹	All from GF/GP

Program Description:

The commission provides information and advice to state government, local governments, and private organizations on how to best enhance the quality, of and participation in, MLK Day activities. It also serves as a liaison to the federal MLK commission.

Recommended Action:

Public and private organizations can handle the task of planning and executing MLK Day activities on their own. A state commission is not needed to assist them any more than they need assistance planning Christmas parties, Columbus Day festivities, or Washington's birthday celebrations. This program should be eliminated immediately.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Community Services	\$21,840,000 ¹¹⁰	\$16,380,000 from Federal Funds; \$5,460,000 from GF/GP

Program Description:

The Community Services program pays local service organizations to provide assistance in the form of day care, congregate meals, crime prevention, health screening, and home repair to elderly persons.

Recommended Action:

These programs take resources from families and communities through taxation, funnel it through expensive state and federal bureaucracies, and return a fraction of the amount taken to certain selected individuals and organizations. These resources must be left with individual families and local communities who are close to the problems, and who can provide assistance that is more accountable and effective than that from distant bureaucracies in Lansing and Washington. This program is one which tears down civil society, and should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Respite Care Program	\$600,000 ¹¹¹	\$250,000 from GF/GP; \$350,000 from Special Revenue Funds

Program Description:

The Respite Care Program is designed to provide companionship and/or assistance for frail elderly people when the primary caretaker is unavailable.

Recommended Action:

The Respite Care Program suffers the same defects as the Community Services program above, and it should be eliminated for the same reasons.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Employment Assistance	\$2,632,700 ¹¹²	All from Federal Funds

Program Description:

The Employment Assistance program contracts with over 200 people throughout the state who help seniors find employment. The majority of seniors who participate in the program are placed into minimum wage jobs.

Recommended Action:

The Employment Assistance program duplicates the efforts of many private organizations, and job placement is not the responsibility of government. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Nutrition Services; DAG Commodity Supplement	\$31,064,500 ¹¹³	\$16,622,000 from Federal Funds; \$14,442,500 from GF/GP

Program Description:

Nutrition Services is divided into two sections: Congregate Meals and Home Delivered Meals. Congregate Meals provides lunch and social programs to seniors at various senior centers throughout the state. Home Delivered Meals, as the name implies, provides home delivered meals to frail elderly persons. For both programs, the meals are provided free of charge to the recipients and they are not means tested; that is, seniors from all income levels are eligible for these programs.

The DAG Commodity Supplement is a grant from the United States Department of Agriculture which funds the costs of the food distributed via the Congregate Meal program.

Recommended Action:

These programs take resources from families and communities through taxation, funnel it through expensive state and federal bureaucracies, and return a fraction of the amount taken to certain selected individuals and organizations. These resources must be left with individual families and local communities who are close to the problems, and who can provide assistance that is more accountable and effective than that from distant bureaucracies in Lansing and Washington. This program is one which tears down civil society, and should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Senior Volunteer Services	\$4,030,900 ¹¹⁴	\$3,627,800 from Federal Funds; \$403,100 from GF/GP

Program Description:

Senior Volunteer Services is comprised of three programs: the Senior Companion Program; the Foster Grandparent Program; and the Retired Seniors Volunteer Program. The Senior Companion Program pays volunteers \$3.00 an hour to assist other seniors with cooking, cleaning, and personal hygiene; the Foster Grandparent Program pays senior volunteers \$3.00 an hour to assist Developmentally Disabled students in schools throughout the state with a wide variety of tasks and problems; the Retired Seniors Volunteer Program reimburses the travel costs of seniors who volunteer to tutor students in Michigan elementary and secondary schools.

Recommended Action:

The state should eliminate these programs for the same reasons listed for the nutrition programs. Further, these programs pervert the term "volunteer," and erode the charitable instinct in people who historically have given of their time to help others without expecting payment from the state or federal government. It is a sad manifestation of how political society has diminished the sense of community responsibility that characterizes civil society.

MDMB Programs to be Downsized

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Office of Services to the Aging Administration; Information System for the Office of Services to Aging; Michigan Commission on Services to the Aging	\$5,177,800 ¹¹⁵	All from GF/GP

Program Description:

These line items set policy for the Office of Services to the Aging and provide administrative and computer support to the Office.

Recommended Action:

With the elimination of approximately 95% of the programs currently conducted by the Office of Services to the Aging, comes the ability to reduce these line items a corresponding percentage, thus producing a savings of \$4,918,910.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Grants Administration	\$596,100 ¹¹⁶	All from GF/GP

Program Description:

Grants Administration, as the name implies, is responsible for allocating and administering MDMB grants.

Recommended Action:

With the elimination of various grants, which comprise approximately 30% of total grant appropriations, comes the ability to reduce this line item by a corresponding percentage, thus producing a savings of \$178,830.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Departmentwide Services; Unclassified Salaries	\$10,796,600 ¹¹⁷	All from GF/GP

Program Description:

These line items provide administrative support to the Director and the Department as a whole.

Recommended Action:

With the elimination of approximately 35% of the Department's programs comes the ability to reduce these line items a corresponding percentage, thus producing a savings of \$3,778,810.

¹⁰⁴ FY 1995-96 Appropriations Report, page 84. Lansing: Senate Fiscal Agency, July 1995.

¹⁰⁵ *The Michigan Manual: Senate 1993-94*, page 481. Lansing: Legislative Service Bureau, 1993.

¹⁰⁶ 1995 Enrolled Senate Bill Number 298, page 8.

¹⁰⁷ Ibid, page 28.

¹⁰⁸ Ibid, page 8.

¹⁰⁹ Ibid, page 8.

¹¹⁰ Ibid, page 9.

¹¹¹ Ibid, page 9.

¹¹² Ibid, page 9.

¹¹³ Ibid, page 9.

¹¹⁴ Ibid, page 9.

¹¹⁵ Ibid, page 9.

¹¹⁶ Ibid, page 8.

¹¹⁷ Ibid, pages 7-8.

Department of Mental Health

Appropriations Summary	Actual¹¹⁸	Recommended	Savings
Interdepartmental Grants:	\$71,878,000	\$71,878,000	0
Federal Funds:	\$450,198,900	\$450,198,900	0
State General Fund/General Purpose:	\$1,018,855,100	\$862,469,970	\$156,385,130
Special Revenue Funds:	\$65,846,400	\$65,846,400	0
Gross Appropriation:	\$1,606,778,400	\$1,450,393,270	\$156,385,130

The powers and duties of the Michigan Department of Mental Health (MDMH) are enumerated in the state's Mental Health Code. They include the following: "(1) function in the areas of mental illness, developmental disabilities, organic brain and other neurological impairment or disease, alcoholism, substance abuse, the prevention of mental disability, and the promotion of good mental health; (2) provide on a residential or nonresidential basis, any type of patient or client service including but not limited to prevention, diagnosis, treatment, care, education, training, and rehabilitation; (3) engage in research programs and professional training programs; (4) operate directly or through contractual arrangement the facilities that are necessary or appropriate; and (5) promote and maintain an adequate and appropriate system of county community mental health services throughout the state in which the Department shifts the primary responsibility for the direct delivery of public mental health services from the state to a county."¹¹⁹

As a great deal of recent scholarship has found, state run mental health programs are often harmful to the very patients they were intended to help; many have proven themselves to be excessively controlling, and even dehumanizing. Moreover, many of Michigan's mental health programs, like programs located throughout the budget, have swelled in size due to excessive bureaucracy and mismanagement. Curing these two problems--eliminating unnecessary and counterproductive programs as well as reducing overhead and management costs--is what the state should do in the next fiscal year; and it could do so by implementing the changes listed below.

MDMH Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Family Support Subsidy	\$12,060,500 ¹²⁰	All from GF/GP

Program Description:

The Family Support Subsidy Program grants the family of a developmentally disabled or autistic child \$222 a month if that child lives at the family's home and the family's income is \$60,000 or less.

Recommended Action:

There once was a time in Michigan when we expected parents to love and care for their children despite their children's abilities or disabilities. Today, apparently, state government must pay parents to do this. This embarrassing program is further proof of the dominance of political society, and how it wages war against the most basic of human virtues found in civil society. Parents must learn to appreciate the dignity and worth of all human beings, not just the flawless. It should not be the role of state government to pay parents to care. This program should be eliminated immediately.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Pilot Projects in Prevention for Adults and Children	\$1,513,800 ¹²¹	All from GF/GP

Program Description:

This program funds experimental projects that attempt to foster mental and psychological health in economically stressed communities. Examples of past projects include: visits by psychiatrists and mental health experts to the homes of economically disadvantaged infants, in an attempt to facilitate the attachment and bonding process between parents and their children; visits by psychiatrists and mental health experts to the homes of children whose parents or siblings have recently been incarcerated, in an attempt to minimize the trauma of such events; and dropout prevention programs in schools located in economically stressed areas.

Recommended Action:

This program duplicates the efforts of a vast number of private institutions, including private social service providers, universities, churches and synagogues, and a host of others. This work is best handled at the community level. The Michigan Department of Mental Health should encourage more private, community support, not take resources from individuals and communities to fund Department programs.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Foster Grandparent and Senior Companion Program	\$1,872,400 ¹²²	All from GF/GP

Program Description:

The Foster Grandparent and Senior Companion Program pays senior citizens \$4 an hour--up to ten hours a week--to act as companions to developmentally disabled individuals.

Recommended Action:

As was stated in our discussion of the Senior Volunteer Services Program in the MDMB budget, the state should not be subsidizing activities such as this--activities that were once thought of as simply being entirely voluntary in nature. It is a perverse manifestation of political society that we think we must pay people do what friends and neighbors have done for millennia: help each other. This program should be eliminated immediately.

MDMH Programs to be Downsized

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
State Psychiatric Hospitals for Adults	\$224,233,600 ¹²³	\$6,249,500 from Federal Funds; \$190,252,900 from GF/GP; \$27,731,200 from Special Revenue Funds

Program Description:

The state currently operates seven state psychiatric hospitals for adults:

- Caro Mental Health Center-Psychiatric Services Unit, which was established in 1913 and is housed in the Caro Regional Mental Health Center;
- Clinton Valley Center, which occupies a 431-acre tract of land in Pontiac and was established in 1877 as the Eastern Michigan Asylum & the current name was adopted in 1972;
- Detroit Psychiatric Institute (DPI), which was established in 1915 and is now housed in Detroit's Herman Kiefer Hospital; the state leases the property from the city of Detroit;

- Kalamazoo Regional Psychiatric Hospital, which, established in 1859, is the oldest institution of its kind in the state;
- Northville Psychiatric Hospital, which was established in 1952, and is located on 502 acres in northwest Wayne County;
- Walter P. Reuther Psychiatric Hospital, which was purchased from Wayne County in 1979, and now operates as a special facility for the care of geriatric individuals; it is located in Westland; and
- Center for Forensic Psychiatry, which is located in Ann Arbor and was established in 1974 for the diagnosis, evaluation, and treatment of persons committed to the department by criminal courts.

Recommended Action:

In the past five fiscal years, the state has taken great strides to bring this section of the budget under control; it has closed five facilities that were simply no longer necessary: Coldwater, Lafayette, Newberry, TCRPH, and Ypsilanti. Yet, the remaining hospitals' budgets still remain tremendously bloated. While all of the seven remaining hospitals have experienced dramatic *reductions* in occupancy over the past several years, every one of them has received substantially *greater* funding.

For the years 1989 and 1995, the average occupancy for the seven facilities was as follows:

	<u>1989</u> ¹²⁴	<u>September 13, 1995</u> ¹²⁵	<u>Change</u>
Caro	104	89	- 15
Clinton Valley	471	323	- 148
DPI	148	95	- 53
Kalamazoo	513	176	- 337
Northville	742	388	- 354
Reuther	272	190	- 82
Forensic	<u>224</u>	<u>217</u>	<u>- 7</u>
Total:	2474	1478	- 996

Thus, occupancy for the seven facilities *dropped* 40.3 percent during this period. Nevertheless, funding for these same hospitals *increased* from \$146,707,800 to \$224,233,600 during the same period, an increase of nearly 35 percent.¹²⁶

To correct for this discrepancy, the state should retroactively index spending to occupancy and inflation, which was approximately 21 percent during this period. Thus, one would utilize the following formula: \$146,707,800 * (1 + 0.21-0.403), which would yield a total of \$118,393,190--thus producing a savings of \$105,840,410 from the actual fiscal year 1995-96 appropriation of \$224,233,600.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
State Psychiatric Hospitals for Children and Adolescents	\$32,820,200 ¹²⁷	\$7,659,300 from Federal Funds; \$21,350,200 from GF/GP; \$3,810,700 from Special Revenue Funds

Program Description:

The state currently operates four state psychiatric hospitals for children and adolescents:

- Fairlawn Center, which was opened in 1967 and is housed at the Clinton Valley Center;
- Hawthorn Center, which was opened in 1965 and is located in Northville;
- Pheasant Ridge Center, which is now housed at the Kalamazoo Regional Psychiatric Hospital; and
- Detroit Psychiatric Institute (DPI), which was established in 1915 and is now housed in Detroit's Herman Kiefer Hospital; the state leases the property from the city of Detroit.

Recommended Action:

In the past three fiscal years, the state has taken great strides to bring this section of the budget under control; it has closed three facilities that were simply no longer necessary--Engstrom, Lafayette, and York Woods--and it has announced that it plans to close Fairlawn in the near future. Yet, the remaining hospitals' budgets (including Fairlawn) still remain tremendously bloated. While all but one of the four remaining hospitals, DPI, have experienced *reductions* in occupancy over the past several years, the hospitals as a group have received substantially *greater* funding.

For the years 1989 and 1995, the average occupancy for the seven facilities was as follows:

Facility	Number of Patients		Change
	1989 ¹²⁸	September 13, 1995 ¹²⁹	
Fairlawn	117	26	- 91
Hawthorn	116	64	- 52
Pheasant Ridge	38	12	- 26
DPI	<u>11</u>	<u>12</u>	<u>+ 1</u>
Total:	282	114	- 168

Thus, occupancy for the seven facilities *dropped* 59.6 percent during this period. Nevertheless, funding for these same hospitals *increased* from \$28,351,600 to \$32,280,200 during the same period, an increase of over 12 percent.¹³⁰

To correct for this discrepancy, the state should retroactively index spending to occupancy and inflation, which was approximately 21 percent during this period. Thus, one would utilize the following formula: \$28,351,600 * (1 + 0.21-0.596), which would yield a total of \$17,407,882--thus producing a savings of \$15,412,320 from the actual fiscal year 1995-96 appropriation of \$32,820,200.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
State Centers for Persons With Developmental Disabilities	\$50,523,900 ¹³¹	\$21,065,500 from Federal Funds; \$37,425,000 from GF/GP; \$3,621,300 from Special Revenue Funds

Program Description:

The state currently operates three state centers for persons with developmental disabilities:

- Caro Mental Health Center-Developmental Disabilities Unit, which is housed in the Caro Regional Mental Health Center;
- Mount Pleasant Center; and
- Southgate Center, which was opened in 1977.

Recommended Action:

In the past four fiscal years, the state has taken great strides to bring this section of the budget under control; it has closed three facilities that were no longer necessary: Muskegon, Newberry, and Oakdale. Yet, the remaining facilities' budgets still remain tremendously bloated. While all of the three remaining centers have experienced *reductions* in occupancy over the past several years, the centers as a group have received substantially *greater* funding.

For the years 1989 and 1995, the average occupancy for the three facilities was as follows:

<u>Facility</u>	<u>1989</u> ¹³²	<u>September 13, 1995</u> ¹³³	<u>Change</u>
Caro	264	102	- 162
Mount Pleasant	215	172	- 43
Southgate	<u>174</u>	<u>127</u>	- 47
Total	653 ¹³⁴	401 ¹³⁵	- 252

Thus, occupancy for the seven facilities *dropped* 38.6 percent during this period. Nevertheless, funding for these same hospitals *increased* from \$37,425,000 to \$50,523,900 during the same period, an increase of over 26 percent.¹³⁶

To correct for this discrepancy, the state should retroactively index spending to occupancy and inflation, which was approximately 21 percent during this period. Thus, one would utilize the following formula: \$37,425,000 * (1 + 0.21-0.386), which would yield a total of \$30,838,200--thus producing a savings of \$19,685,700 from the actual fiscal year 1995-96 appropriation of \$50,523,900.

¹¹⁸ FY 1995-96 Appropriations Report, page 88. Lansing: Senate Fiscal Agency, July 1995

¹¹⁹ State of Michigan Fiscal Year 1995-96 Appropriations: Summary and Analysis," page 36. Lansing: House Fiscal Agency, 1995.

¹²⁰ 1995 Enrolled House Bill Number 4415, page 3.

¹²¹ 1995 Enrolled House Bill Number 4415, page 3.

¹²² Ibid, page 3.

¹²³ Ibid, pages 4-6.

¹²⁴ "DMH Adult Psychiatric Hospitals Weekly Resident Census Report (As of October 6, 1993)." Lansing: Bureau of Hospitals and Centers, October 11, 1993.

¹²⁵ "DMH Adult Psychiatric Hospitals Weekly Resident Census Report (As of September 13, 1995)." Lansing: Bureau of Hospitals and Centers, September 14, 1995.

¹²⁶ Public Acts of the State Legislature 1989, Number 172, pages 812-816, and 1995 Enrolled House Bill Number 4415, pages 4-6.

¹²⁷ 1995 Enrolled House Bill Number 4415, page 5.

¹²⁸ "DMH Child/Adolescent Programs Weekly Resident Census Report (As of October 6, 1993)." Lansing: Bureau of Hospitals and Centers, October 11, 1993.

¹²⁹ "DMH Child/Adolescent Programs Weekly Resident Census Report (As of September 13, 1995)." Lansing: Bureau of Hospitals and Centers, September 14, 1995.

¹³⁰ Public Acts of the State Legislature 1989, Number 172, pages 815, and 1995 Enrolled House Bill Number 4415, page 5.

¹³¹ 1995 Enrolled House Bill Number 4415, pages 5-6.

¹³² "DMH Child/Adolescent Programs Weekly Resident Census Report (As of October 6, 1993)." Lansing: Bureau of Hospitals and Centers, October 11, 1993.

¹³³ "DMH Child/Adolescent Programs Weekly Resident Census Report (As of September 13, 1995)." Lansing: Bureau of Hospitals and Centers, September 14, 1995.

¹³⁴ "Centers For Persons With Developmental Disabilities Weekly Resident Census Report (As of October 2, 1993)." Lansing: Bureau of Hospitals and Centers, October 7, 1993.

¹³⁵ "Centers For Persons With Developmental Disabilities Weekly Resident Census Report (As of September 13, 1995)." Lansing: Bureau of Hospitals and Centers, September 14, 1995.

¹³⁶ Public Acts of the State Legislature 1989, Number 172, pages 817-818, and 1995 Enrolled House Bill Number 4415, pages 5-6.

Department of Military Affairs

Appropriations Summary	Actual¹³⁷	Recommended	Savings
Interdepartmental Grants:	0	0	0
Federal Funds:	\$34,831,400	\$34,331,400	\$500,000
State General Fund/General Purpose:	\$36,425,100	\$33,412,400	\$3,012,700
Special Revenue Funds:	\$14,616,000	\$14,316,000	\$300,000
Gross Appropriation:	\$85,872,500	\$82,059,800	\$3,812,700

The Michigan Department of Military Affairs (MDMA) constitutes the armed forces of Michigan. The armed forces of Michigan, and the Army and Air National Guard, serve under the orders of the governor as commander-in-chief. The governor appoints an adjutant general to serve as commanding general of the Michigan National Guard and director of the Department of Military Affairs. The Michigan Army and Air National Guard have a mission to both the federal government and the state of Michigan. The Department also operates the state's two veterans homes: the Grand Rapids Veterans' Home and the D.J. Jacobetti Veteran's Home.

The Department of Military Affairs should continue to fund its primary program: the Michigan National Guard, whose goal is to protect the lives and property of Michigan's citizens during times of natural disaster and to preserve the peace, order, and public safety at the direction of the Governor. It should, however, do no more.

The Michigan Department of Military Affairs provides a valuable service to the residents of Michigan: the maintenance and provision of the Michigan National Guard. It does, however, provide some unnecessary and costly programs that are a burden to Michigan citizens. The state legislature should act to correct this problem by implementing the changes listed below.

MDMA Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Starbase Grant	\$500,000 ¹³⁸	All from Federal Funds

Program Description:

The Starbase Program--founded in FY 1991 by the 127th Fighter Wing Division--is aimed at attracting and preparing students for science, mathematics, engineering and technology-related fields of study, with special attention given to "at-risk" youth. The program, conducted at Selfridge Air Force Base, gives students hands-on experience with high-tech equipment.

Recommended Action:

There is no reason for the Department to fund such a program, as preparing students for science, mathematics, engineering, and technology-related fields of study is the responsibility of schools, parents, and students themselves. Moreover, there are already a number of private organizations that conduct similar events. For example, the General Motors Institute in Flint organizes various hands-on programs involving advanced technology for high school students in the Genesee County area.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Michigan Freedom Academy	\$300,000 ¹³⁹	All from Special Revenue Funds

Program Description:

The Michigan Freedom Academy--which is not listed as a separate line item in the budget, but is nonetheless located under the division "Departmentwide Appropriations"--is a one-week camp held at Phelps Collins Air National Guard Base in Alpena. The objective of the program--which is open to high school juniors who are active in extracurricular activities, have a grade point average of 3.0 or better, and plan on attending college--is to "promote a sense of patriotism, the desire to lead, and an appreciation of freedom and a better understanding of civic responsibilities among Michigan's future leaders."¹⁴⁰ It attempts to accomplish this goal by sponsoring lectures for students by political officials, spiritual leaders, business and industry executives, labor leaders, media representatives, education officials, and military representatives, and by organizing discussions, field exercises, physical competitions, and social activities for the participants.

Recommended Action:

The Michigan Freedom Academy is an unnecessary program for the state to conduct, as students can, and do, participate in similar activities through a variety of privately run programs--such as internships with private companies, organizations, and foundations. Moreover, the Michigan Freedom Academy--like the Starbase Grant Program--simply is not necessary to the successful functioning of the Michigan National Guard, and, hence, should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Veterans Service Organizations	\$3,012,700 ¹⁴¹	All from GF/GP

Program Description:

This program awards grants to various veterans groups within the state to aid them in their operations. For fiscal year 1995-96, the following grants have been appropriated:

American Legion	\$676,200
Disabled American Veterans	\$614,000
Marine Corps Veterans	\$282,000
American Veterans of World War II and Korea	\$389,600
Veterans of Foreign Wars	\$742,700
Michigan Paralyzed Veterans of America	\$138,900
Purple Heart	\$132,300
Veterans of World War I	\$100
Polish Legion of American Veterans	\$34,700
Jewish Veterans of America	\$34,700
Vietnam Veterans of Michigan	\$46,400
Catholic War Veterans	\$11,100

Recommended Action:

These organizations have shown the ability to successfully raise funds for their operations via membership dues, the management of their own restaurants and bars, and other fundraising activities. They do not need grants from the state for their continued existence. This program should be eliminated.

¹³⁷ FY 1995-96 Appropriations Report, page 95. Lansing: Senate Fiscal Agency, July 1995

¹³⁸ 1995 Enrolled Senate Bill Number 303, page 2.

¹³⁹ Ibid, page 2.

¹⁴⁰ "Biennial Report of the Adjutant General of Michigan 1993-94," page 17. Lansing: Michigan Department of Military Affairs, 1995.

¹⁴¹ 1995 Enrolled Senate Bill Number 303, page 2.

Department of Natural Resources

Appropriations Summary	Actual¹⁴²	Recommended	Savings
Interdepartmental Grants:	\$12,993,800	11,872,800	\$1,121,100
Federal Funds:	\$78,771,900	76,946,900	\$1,825,000
State General Fund/General Purpose:	\$95,332,600	94,474,700	\$857,900
Special Revenue Funds:	\$260,915,700	251,393,000	\$9,522,700
Gross Appropriation:	\$448,014,000	\$434,687,400	\$13,326,600

In August of 1995, Governor Engler radically changed the organization of the Michigan Department of Natural Resources (MDNR). He split MDNR into two Departments: the Department of Environmental Quality (MDEQ), which will oversee the environmental quality programs previously conducted by MDNR, and the Department of Natural Resources itself, which will manage state park and outdoor sports programs. The decision was a wise one. Because the Department of Environmental Quality will answer directly to the Governor with no commission in between, greater political accountability will be achieved; the Governor and his staff will have to take direct responsibility for both the successes and the failures of the new Department.¹⁴³ And this is exactly what the MDNR needs.

The Department of Natural Resources has grown remarkably arrogant in recent years, treating with grave disrespect the basic human right to own property. Indeed, in its quest to improve environmental and ecological quality within the state, it has too often behaved as if the rights of landowners are mere technicalities. In short, many in the Department seem to believe that private property rights are often necessarily a barrier to environmental health. This could not be further from the truth. Private property is the cornerstone of environmental quality. When one looks at the worst examples of recent environmental degradation, one sees that such catastrophes are due to public, not private ownership of land, and the failure of government to properly enforce both property rights and contracts. Profits are not inimical to environmental quality, but politics are.¹⁴⁴

Over the next decade, the state should take radical steps to decrease the power and size of both the MDNR and the MDEQ, as their programs, in far too many cases, are actually obstacles to Michigan's environmental health. A good start toward this goal would be to immediately implement the changes listed below. (It should be noted that all programs listed below are found in the 1995-96 MDNR budget, even though some of them will obviously come under the aegis of the MDEQ. This is due to the fact that the 1995-1996 MDNR budget was approved prior to the official creation of the MDEQ.)

MDNR Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Natural Resources Magazine	\$52,200 ¹⁴⁵	All from Special Revenue Funds

Program Description:

This line item is responsible for the publication of Natural Resources magazine, which has an annual circulation of 400,000 and is published six times a year with no paid advertising. This office also prints books and other publications that provide natural resource information, as well as sells nearly fifty titles purchased from private, commercial book publishers.

Recommended Action:

The Michigan Department of Management and Budget (MDMB), in a 1992 publication, stated, "The magazine regularly loses money. It is possible a private publisher would be able to produce the magazine at either

no cost to the state, or a profit to the state through the sale of publishing rights."¹⁴⁶ While production of the magazine is now done privately, the state should immediately sell the publication to the private sector.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Office of the Great Lakes	\$159,700 ¹⁴⁷	All from Special Revenue Funds

Program Description:

This office, established in 1985, serves as an information source on the Great Lakes to both the public at large and to all levels of government. It also recommends new governmental policies and programs regarding the protection and management of the Great Lakes.

Recommended Action:

There is little reason for the continuation of this office, as it now functions largely as a tool to increase tourism within the state, duplicating the efforts of many groups throughout Michigan. Moreover, should the office abandon this practice and concentrate solely on the protection of the Great Lakes, its existence is still objectionable. Protection of the Great Lakes should emphasize strengthening the property rights of lakefront land owners and enhancing their ability to enforce those rights against polluters through the judicial system. The Office of the Great Lakes should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Fish Production	\$6,804,000 ¹⁴⁸	All from Special Revenue Funds

Program Description:

The line item described as "Fish Production" collects, incubates, and hatches eggs and transports fish to both the Great Lakes and inland fisheries.

Recommended Action:

MDC has written, "Several states contract for the operation of hatcheries. Other states neither own nor operate hatcheries. Those states purchase fish from private hatcheries. The DNR needs to determine the most cost-effective . . . arrangement."¹⁴⁹ And that would be for the state to immediately sell its hatcheries, and use the revenue to purchase fish from private hatcheries--when necessary.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
MacMullan Conference Center	\$1,121,100 ¹⁵⁰	All from Interdepartmental Grants

Program Description:

The MacMullan Conference Center is a hotel/lodge located on Higgins Lake. It is used by a wide range of governmental agencies for overnight training sessions and conferences. It can house up to 100 people a night.

Recommended Action:

As recommended by the MDC in its 1992 study, the state should not operate a resort-type facility for its employees.¹⁵¹ The MacMullan Conference Center should be sold to the private sector.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Private Forest Development	\$857,900 ¹⁵²	All from GF/GP

Program Description:

This program provides financial assistance to private landowners in hopes of facilitating wise ecological use of their property.

Recommended Action:

Private landowners, many of whom are financially well off, should be responsible for the stewardship of their land, and have a financial incentive to do so. They can rely on a variety of private sector environmental, agricultural, and educational organizations for information regarding the best ecological methods. Michigan citizens should not be required to subsidize private landowners; this program should be eliminated immediately.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Hunting Access Program	\$315,500 ¹⁵³	All from Special Revenue Funds

Program Description:

The Hunting Access Program leases private lands throughout southern Michigan for public hunting. For the upcoming fiscal year, the state has leased property from 237 landowners in 37 counties.

Recommended Action:

This is another clear example of the dominance of political society, with the state interfering in an area where private individuals can, and do, perform the same activity through civil society means. Every year thousands of Michigan hunters reach mutually beneficial agreements with private landowners regarding their desire to hunt on the landowners' property. This system works well, and there is no reason to believe it won't continue to do so in the future. The Hunting Access Program should be eliminated immediately.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Docks and Harbor Development	\$2,191,000 ¹⁵⁴	All from Special Revenue Funds

Program Description:

The Dock and Harbor Development Program, in an attempt to encourage tourist-related economic development, assists with the development of harbors and docking facilities on the Great Lakes shoreline.

Recommended Action:

The state already runs an extensive public access sites program that acquires, develops, and maintains public docks and launching sites throughout the state--including sites located on the Great Lakes. Indeed, as of 1995, the state operates more than 680 such sites statewide. The state does not need to further its involvement in similar activities. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Forest Stewardship Grants	\$625,000 ¹⁵⁵	All from Federal Funds

Program Description:

The Forest Stewardship Grants assist private landowners develop plans for long-term protection of private forest resources.

Recommended Action:

Private landowners, many of whom are financially well off, should be responsible for the stewardship of their land, and have a financial incentive to do so. They can rely on a variety of private sector environmental, agricultural, and educational organizations for information regarding the best ecological methods. Michigan citizens should not be required to subsidize private landowners; this program should be eliminated immediately.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Urban Forestry Grants	\$400,000 ¹⁵⁶	All from Federal Funds

Program Description:

The Urban Forestry Grants provide information and technical assistance to local governments and volunteer groups for urban forest activities such as tree inventories and planting.

Recommended Action:

Local governments and volunteer groups should be responsible for their own urban forest activities. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
SBA Tree Planting Grants	\$800,000 ¹⁵⁷	All from Federal Funds

Program Description:

This program provides grants to small businesses who agree to plant trees on non-federal public lands.

Recommended Action:

Local governments and private organizations should take responsibility for these activities themselves. This program should be eliminated.

¹⁴² FY 1995-96 Appropriations Report, pages 98, 100. Lansing: Senate Fiscal Agency, July 1995.

¹⁴³ See McArthur, Warren. "DNR Move Means More Accountability." *The Detroit News*, September 15, 1995.

¹⁴⁴ See Coase, Ronald H. "The Problem of Social Cost." *The Journal of Law and Economics* 3, October 1960. The article is also reprinted in Coase, R.H. *The Firm, the Market, and the Law*. Chicago: University of Chicago Press, 1988.

¹⁴⁵ 1995 Enrolled Senate Bill Number 299, page 3.

¹⁴⁶ "Privatization in Michigan: Recommendations to the Governor," page 45. Lansing: Michigan Department of Management and Budget, 1992.

¹⁴⁷ 1995 Enrolled Senate Bill Number 299, page 3.

¹⁴⁸ Ibid, page 5.

¹⁴⁹ "Privatization in Michigan: Recommendations to the Governor," page 46. Lansing: Michigan Department of Management and Budget, 1992.

¹⁵⁰ 1995 Enrolled Senate Bill Number 299, page 6.

¹⁵¹ "Privatization in Michigan: Recommendations to the Governor," page 46. Lansing: Michigan Department of Management and Budget, 1992.

¹⁵² 1995 Enrolled Senate Bill Number 299, pages 6-7.

¹⁵³ Ibid, page 5.

¹⁵⁴ Ibid, page 6.

¹⁵⁵ Ibid, pages 10-11.

¹⁵⁶ Ibid, pages 10-11.

¹⁵⁷ Ibid, pages 10-11.

Department of Public Health

Appropriations Summary	Actual¹⁵⁸	Recommended	Savings
Interdepartmental Grants:	\$23,653,500	23,653,500	0
Federal Funds:	\$351,303,500	291,334,010	\$59,969,490
State General Fund/General Purpose:	\$182,447,900	146,279,590	\$36,168,310
Special Revenue Funds:	\$130,502,100	121,960,390	\$8,541,710
Gross Appropriation:	\$687,907,000	\$583,227,490	\$104,679,510

The objectives of the Michigan Department of Public Health (MDPH), according to the *Michigan Manual*, are "to prevent disease; prolong life; promote health through organized community programs for sanitation, protection of the environment, and control of communicable and chronic disease; education of individuals by promoting behavior conducive to better personal health; and the development of comprehensive quality medical services and facilities for the early diagnosis and care of the sick."¹⁵⁹ Many of these objectives fall well beyond the scope of government in civil society. For example, individuals themselves, and private educational and social welfare organizations, should take responsibility for education regarding healthy behaviors.

MDPH has grown too large and too intrusive. It seems to operate on the political society premise that most people are unable to decide for themselves what course of action should be taken regarding their health, and that any shortcoming in public health must be met with government intervention. This is not the case.

MDPH Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Migratory Labor Housing Fund	\$300,000 ¹⁶⁰	All from GF/GP

Program Description:

The Migratory Labor Housing Fund assists migrant farmers with the building or improvement of housing. The program is matching in nature; if a migrant spends \$500, for example, to build or renovate housing, the state will match that \$500. This appropriation was increased by \$225,000 from the previous fiscal year due to a backlog of over 1,000 grant applications.

Recommended Action:

Migrant workers, an important part of Michigan agriculture, come to Michigan because the economic opportunities here are superior to other available alternatives. State government should not distort these economic decisions by subsidizing migrant housing. In addition to preventing the labor market from operating efficiently, state subsidies are unfair to Michigan laborers, who should be on equal footing with migrant laborers. The Migratory Labor Housing Fund should be discontinued.¹⁶¹

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Occupational Health Standards Commission; Occupational Health Administration	\$4,634,700 ¹⁶²	\$2,427,100 from Federal Funds; \$2,207,600 from GF/GP

Program Description:

These programs implement and develop state occupational health standards policy.

Recommended Action:

These programs duplicate federal occupational health standards programs. They should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Dry Cleaning Program	\$305,700 ¹⁶³	All from Special Revenue Funds

Program Description:

This program is responsible for inspecting dry cleaning establishments throughout Michigan, to ensure that they are conforming to state health regulations. Each proprietor of a dry cleaning facility is required to pay a fee that covers the cost of the inspection.

Recommended Action:

There is no reason for the dry cleaning industry to be forced to pay for state inspections of their businesses. If there is reason to believe that a certain business is guilty of violating regulations, then the firm's employees or the state should take the necessary steps at that point, not prior to the violation. The vast majority of Michigan dry cleaners dutifully obey the regulations to which they are subject--a fact that wouldn't change if the state were to end the inspection process.¹⁶⁴

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Indian Health Care	\$309,500 ¹⁶⁵	All from GF/GP

Program Description:

The Indian Health Care Program awards grants to tribal councils in Wayne, Lansing, Grand Rapids, and Saginaw in an effort to inform non-reservation Indians of state-run health services programs available to them.

Recommended Action:

This type of public health information should be provided and funded by private organizations, not the state. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Minority Health Grants and Contracts, Office of Minority Health	\$918,400 ¹⁶⁶	\$650,000 from Federal Funds; \$144,940 from GF/GP; \$123,460 from Special Revenue Funds

Program Description:

These programs are aimed at informing minorities of state-run health services programs available to them.

Recommended Action:

Informing minorities of available programs should be the responsibility of the many private organizations that work to advance their interests. There is no need for state subsidies; this program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Sexually Transmitted Disease Control Local Agreements	\$2,205,700 ¹⁶⁷	\$1,764,560 from Federal Funds; \$441,140 from GF/GP

Program Description:

This program disperses funds to local health departments in the 14 Michigan counties which report over 90% of sexually transmitted diseases in the state. Free treatment to all, regardless of income, is provided at public clinics within these 14 counties.

Recommended Action:

This program is another example of system that takes resources from families and communities through taxation, funnels it through expensive state and federal bureaucracies, and returns a fraction of the amount taken to certain selected individuals and organizations. These resources must be left with individual families and local communities who are close to the problems, and who can provide assistance that is more accountable and effective than that from distant bureaucracies in Lansing and Washington. This program is one which tears down civil society, and should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Sexually Transmitted Disease Control Management and Field Support	\$2,454,400 ¹⁶⁸	\$368,160 from Federal Funds; \$2,086,240 from GF/GP

Program Description:

This program includes funding for the management and field staff of the Sexually Transmitted Disease Control Program.

Recommended Action:

With the elimination of the Sexually Transmitted Disease Control Program comes the ability to eliminate these administrative programs as well.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Rural Health Grant	\$168,800 ¹⁶⁹	\$42,200 from Federal Funds; \$126,600 from GF/GP

Program Description:

This program funds a comprehensive survey and analysis of rural health care in Michigan. Originally, the study was conducted by Michigan State University, but now is handled by a non-profit organization.

Recommended Action:

This research, if needed and not available from other sources, should be funded by private organizations and individuals. The program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
AIDS and Risk Reduction Clearinghouse and Media Campaign	\$1,700,000 ¹⁷⁰	\$51,000 from Federal Funds; \$1,649,000 from Special Revenue Funds

Program Description:

The AIDS and Risk Reduction Clearinghouse and Media Campaign contracts with Brogan & Company, a Detroit-based advertising agency, to produce a wide variety of informational advertisements aimed at reducing the spread of AIDS within Michigan.

Recommended Action:

This AIDS education program is another example of system that takes resources from families and communities through taxation, funnels it through expensive state and federal bureaucracies, and returns a fraction of the amount taken to certain selected individuals and organizations. These resources must be left with individual families and local communities who are close to the problems, and who can provide assistance that is more accountable and effective than that from distant bureaucracies in Lansing and Washington. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Chronic Disease Prevention	\$9,115,600 ¹⁷¹	\$7,292,480 from Federal Funds; \$1,823,120 from GF/GP

Program Description:

The Chronic Disease Prevention Program provides funds to local health departments to develop community coalitions to address chronic diseases and to develop programs and provide grants to reduce chronic disease, with the focus being on heart disease and cancer. A primary activity of the program is to provide free blood pressure monitoring in shopping malls and schools.

Recommended Action:

Heart disease and cancer are dreadful diseases that, sadly, take the lives of thousands of Michigan residents each year; they need to be fought diligently and methodically. But the crucial question is, "By whom?" Like AIDS, these are diseases about which we know a great deal, including how to help prevent them and how to diagnose them. Most Michigan citizens know the risks they are taking everyday by their choice of behavior--whether it be eating poorly, smoking, drinking, or other high-risk activities. Those who knowingly engage in such behavior should be asked to bear responsibility for their actions. Any lack of information or assistance should be provided by organizations like the American Cancer Society and the American Heart Association, just to name two of countless similar organizations. Over time, government funding only weakens organizations like these, and diminishes community efforts. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Injury Control Intervention Project	\$324,800 ¹⁷²	All from Federal Funds

Program Description:

The Injury Control Intervention Project attempts to lessen transportation injuries throughout the state. For example, the program funds advertising and promotional campaigns encouraging people to wear head gear when operating a bicycle and seat belts when operating an automobile.

Recommended Action:

These safety education programs should be, and are being, handled by private sector organizations. There is no need for the continuation of this program.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Smoking Prevention Program	\$1,487,500 ¹⁷³	All from Federal Funds

Program Description:

The Smoking Prevention Program assists community coalitions with a variety of anti-smoking projects, such as speakers in schools and advertising campaigns.

Recommended Action:

The important goals of this program should be, and are being, advanced by private sector organizations. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Survey and Analysis	\$460,300 ¹⁷⁴	\$414,270 from GF/GP; \$46,030 from Special Revenue Funds

Program Description:

The line item described as Survey and Analysis funds a phone survey to gather information on risk behavior. The focus is on the relationship between behavior and chronic disease, such as heart disease and cancer.

Recommended Action:

The purposes of this program, if truly necessary, should be carried out by private organizations. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Pregnancy Prevention Program	\$7,243,100 ¹⁷⁵	\$1,448,620 from Federal Funds; \$4,345,860 from GF/GP; \$1,448,620 from Special Revenue Funds

Program Description:

The Pregnancy Prevention Program is aimed at preventing teen pregnancy. Each person who chooses to enter the program will receive a booklet containing educational information to assist them in making decisions regarding birth control.

Recommended Action:

Pregnancy prevention should be the responsibility of families, churches, and other community organizations, not state government. This program should be terminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Community Substance Abuse Prevention, Education, and Treatment	\$65,840,400 ¹⁷⁶	\$44,113,070 from Federal Funds; \$16,758,430 from GF/GP; \$4,968,900 from Special Revenue Funds

Program Description:

This program disperses education and treatment grants to 18 agencies and treatment centers. The treatment that is funded by these grants is entirely outpatient and residential; there is no hospitalization.

Recommended Action:

Substance abuse is a serious problem that leads to a loss in productivity, the breakdown of families, and a number of other adverse consequences. However, this program is another example of system that takes resources from families and communities through taxation, funnels it through expensive state and federal bureaucracies, and returns a fraction of the amount taken to certain selected individuals and organizations. These resources must be left with individual families and local communities who are close to the problems, and who can provide assistance that is more accountable and effective than that from distant bureaucracies in Lansing and Washington. The Community Substance Abuse, Prevention, Education, and Treatment Grant Program should be immediately eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
State Disability Assistance Program for Substance Abuse Services	\$6,600,000 ¹⁷⁷	All from GF/GP

Program Description:

This program pays for the room and board for those who, through the State Disability Assistance Program, are evaluated as being eligible for treatment at residential substance abuse centers.

Recommended Action:

As was stated above, families and community organizations must be left with the resources to help those in need, not surrender this responsibility and their resources to state government. This program should be eliminated at once.

MDPH Programs to be Downsized

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Unclassified Salaries; Executive Direction	\$5,459,500 ¹⁷⁸	All from GF/GP

Program Description:

The line items described as "Unclassified Salaries" and "Executive Direction" set policy for the Department of Public Health as a whole.

Recommended Action:

With the elimination of approximately 15% of the Public Health budget, comes the ability to downsize this appropriation by a commensurate, thus producing a savings of \$467,075.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Building Occupancy Charges; Rent	\$956,900 ¹⁷⁹	All from GF/GP

Program Description:

These line items describe the fees incurred by the department for rent and occupancy.

Recommended Action:

With the elimination of approximately 15% of the Public Health budget, comes the ability to downsize this appropriation by a commensurate amount, thus producing a savings of \$143,535.

¹⁵⁸ FY 1995-96 Appropriations Report, page 106. Lansing: Senate Fiscal Agency, July 1995.

¹⁵⁹ *The Michigan Manual: 1993-94 Senate*, page 521. Lansing: Legislative Service Bureau, 1993.

¹⁶⁰ 1995 Enrolled Senate Bill Number 4420, page 2.

¹⁶¹ See Briggs, Vernon and Stephen Moore. *Still and Open Door?: U.S. Immigration Policy and the American Economy*. Washington: American University Press, 1994; Ebeling, Richard and Jacob G. Hornberger (editors). *The Case for Free Trade and Open Immigration*. Fairfax, VA: Future of Freedom Foundation, 1995; and Simon, Julian. *The Economic Consequences of Immigration*. Cambridge, MA: Basil Blackwell, 1989.

¹⁶² 1995 Enrolled Senate Bill Number 4420, page 4.

¹⁶³ Ibid, page 4.

¹⁶⁴ See Adler, Jonathan H. "Taken to the Cleaners: A Case Study of Overregulation of American Small Business." Cato Institute Policy Analysis Number 200. Washington: Cato Institute, 1993.

¹⁶⁵ 1995 Enrolled Senate Bill Number 4420, page 5.

¹⁶⁶ Ibid, page 2.

¹⁶⁷ Ibid, pages 2-3.

¹⁶⁸ Ibid, pages 2-3.

¹⁶⁹ Ibid, page 5.

¹⁷⁰ Ibid, pages 5-6.

¹⁷¹ Ibid, pages 5-6.

¹⁷² Ibid, pages 5-6.

¹⁷³ Ibid, pages 5-6.

¹⁷⁴ Ibid, page 6.

¹⁷⁵ Ibid, pages 6-7.

¹⁷⁶ Ibid, page 7.

¹⁷⁷ 1995 Enrolled House Bill Number 4420, page 7.

¹⁷⁸ Ibid, pages 1-2.

¹⁷⁹ Ibid, pages 1-2.

Department of Social Services

Appropriations Summary	Actual¹⁸⁰	Recommended	Savings
Interdepartmental Grants:	\$309,971,700	\$309,971,700	0
Federal Funds:	\$4,165,625,000	\$4,057,827,295	\$107,797,705
State General Fund/General Purpose:	\$2,380,384,000	\$2,252,486,045	\$127,897,955
Special Revenue Funds:	\$713,473,500	\$711,006,060	\$2,467,440
Gross Appropriation:	\$7,569,454,200	\$7,331,291,100	\$299,312,735

The Department of Social Services, which directs the operations of public assistance and service programs throughout Michigan, should be considered for sizable reductions. Indeed, as many critics of the modern welfare state have argued, an appropriate long term goal would be the abolition of all state-run public assistance programs, as these programs, through the codification of many perverse incentives, have led to a destructive cycle of dependency that has threatened to destroy many of our nation's cities--including many large urban areas in Michigan.¹⁸¹ The failed programs of political society must be replaced by a resurgence of the private intermediary institutions of civil society. While this is clearly not a feasible course of action for the state to take in the next fiscal year, it is nonetheless the direction that it should be moving. As a result, the programs below should be eliminated.

MDSS Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Demonstration Projects	\$10,281,000 ¹⁸²	\$6,477,030 from Federal Funds; \$1,336,530 from GF/GP; \$2,467,440 from Special Revenue Funds

Program Description:

The line item described as "Demonstration Projects" is a series of new pilot programs that the Department tests each year for possible sustained use. Examples of past and current programs include:

- Project Work Plus, which attempts to facilitate the transition from welfare dependency to economic self-sufficiency for Laotian-Hmong families living in the Detroit area through the combination of employment services and comprehensive support services.
- Lansing Hmong Employment Project, which provides employment services to Hmong families in the Lansing area.
- Adopt-a-House, which funds the renovation and repair of homes occupied by low-income families in Grand Traverse County.
- Independent Living Program, which counsels youths 16 years of age and older who are in foster care, or who have been in foster care, as they exit the child welfare services system.

Recommended Action:

An appropriate long-term goal for the state legislature would be to eliminate the Department of Social Services entirely. In order to reach that goal, the state must begin to downsize and reform the Department now--which means that instead of introducing new programs, the state should be eliminating and reducing old programs and putting a freeze on the establishment of all new ones, including the Demonstration Projects. The Department

should begin working to return the responsibility for social assistance to the families, churches and community organizations--historically strong institutions that have been weakened by the growth of government involvement in this area.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Refugee Assistance Program	\$7,377,100 ¹⁸³	All from Federal Funds

Program Description:

The Refugee Assistance Program provides services that are designed to assist refugees in achieving social and economic self-sufficiency. Eligible services include cash and medical assistance; employment and training services; and, on a limited basis, foster care services.

Recommended Action:

Immigration has benefited both Michigan and the United States as whole, despite the loud cries to the contrary by many conservative critics. This does not mean, however, that those who flee other countries to live in the United States--for whatever reason--should be entitled to special benefits. The appeal of America has always been, and should continue to be, political freedom and economic opportunity, not government handouts. The Refugee Assistance Program should be discontinued, and replaced with voluntary support from private associations.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Adult Home Help	\$110,783,100 ¹⁸⁴	\$48,744,565 from Federal Funds; \$62,038,535 from GF/GP

Program Description:

The Adult Home Help program provides payments to friends and relatives to assist frail and elderly Medicaid recipients in their own homes with such activities as cooking and cleaning. In 1994, there were approximately 26,000 recipients of Adult Home Help grants, each receiving an average payment of \$280 a month.

Recommended Action:

The Adult Home Help program is a prime example of a welfare service that could be provided by private individuals acting charitably out of their own good will. The friends and relatives who receive state grants to assist elderly adults with basic household services presumably are not driven to provide such a service because of the monetary compensation, but rather by the desire to help someone they care about. This political society approach to helping people corrupts the virtues of charity and family responsibility, and should be eliminated, leaving individuals and families with greater resources to help others.¹⁸⁵

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Adoption Subsidies	\$77,586,900 ¹⁸⁶	\$33,362,365 from Federal Funds; \$44,224,535 from GF/GP

Program Description:

This program provides support and/or medical subsidies to adoptive families to facilitate the placement of special needs children (for example, handicapped children or large sibling groups). The adoptive family receives a subsidy approximately equal to a foster care subsidy, and a subsidy for medical care at actual expense.

Recommended Action:

The state should not be subsidizing adoptive families. Part of the responsibility entailed in being a parent is the provision of medical care and other goods for their children; parents, adoptive or not, should not rely on the state to assist them with this. Moreover, the absence of means-testing for this program creates a perverse cross-subsidization process where less financially secure adoptive parents who do not adopt a special-needs child are asked

to subsidize more financially secure adoptive parents who do. These subsidies should be eliminated, leaving individuals, families, communities with greater resources to provide this type of assistance.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Michigan Opportunity Skills Training Program	\$14,875,300 ¹⁸⁷	\$10,412,710 from Federal Funds; \$4,462,590 from GF/GP

Program Description:

The Michigan Opportunity Skills Training (MOST) Program provides job training for AFDC recipients, state family assistance recipients, and food stamp recipients.

Recommended Action:

Job training is best provided by Michigan businesses and community organizations, not state or federal government programs which often lack accountability and proper focus. If the state and federal government would cease taking these resources from business and individuals, the Michigan business climate would improve, economic opportunity would increase, and the demand for skilled workers would create a greater supply of training programs. The MOST program should be eliminated immediately.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Black Child and Family Institute	\$100,000 ¹⁸⁸	\$30,000 from Federal Funds; \$70,000 from GF/GP

Program Description:

This program provides services primarily to culturally, economically, educationally, and health disadvantaged children and families in a depressed area of the City of Lansing. Services provided include: health screening, physical examinations, remedial education, education enrichment, tutoring, recreation, counseling, and crisis intervention.

Recommended Action:

The purposes of this program should be advanced by private support of local community organizations, not state or federal government. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Attorney General Contract	\$1,308,900 ¹⁸⁹	\$523,560 from Federal Funds; \$785,340 from GF/GP

Program Description:

This program represents the funds paid to the state's Attorney General office in order to provide legal representation in foster care cases (within Wayne County only) to both the MDSS and the child involved.

Recommended Action:

In all other counties in the state except for Wayne, the county's Prosecuting Attorney represents the MDSS and the child in such cases. There is no reason for Wayne County to be an exception; this program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Delinquency and Community Based Services	\$7,532,900 ¹⁹⁰	All from GF/GP

Program Description:

This program consists of the following: (1) Runaway preventive counseling; (2) Employment counseling; (3) In-home counseling of youth; (4) Counseling for homeless females; (5) Family support and education counseling. Only people ages 12 to 21 are eligible for the aforementioned programs.

Recommended Action:

This program takes resources from families and communities, passes it through the state bureaucracy, and returns a fraction of the amount taken to selected individuals and organizations. These funds should be left with the families and communities to support private initiatives to help these target populations. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Community Residential Care Programs	\$6,695,200 ¹⁹¹	\$870,375 from Federal Funds; \$5,824,825 from GF/GP

Program Description:

This programs funds all costs associated with the provision of drug counseling services at halfway houses throughout the state and all the costs associated with providing similar services at the Northwest Center located in Detroit.

Recommended Action:

This program takes resources from families and communities, passes it through expensive state and federal bureaucracies, and returns a fraction of the amount taken to selected individuals and organizations. These funds should be left with the families and communities to support private initiatives to help these target populations. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Family Involvement Project	\$415,400 ¹⁹²	All from GF/GP

Program Description:

The Family Involvement Project encourages parents to visit their children at detention centers. And for the families who do decide to visit their children there, it provides counseling services for them. The counselors sit in on the meetings between the parents and the children in order to provide assistance during the reconciliation process.

Recommended Action:

This type of assistance should be provided by private community associations, not state government. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Regional Detention Services	\$1,207,300 ¹⁹³	All from GF/GP

Program Description:

This program funds the "regional detention support services" program. Funds are used for a statewide network of juvenile holdover sites and for the costs of home detention with electronic monitoring capabilities. The

primary reason for the creation of the holdover sites and the use of home-monitoring technology is to prevent juveniles from being housed in the same facilities as adults.

Recommended Action:

Regional detention centers should be operated by Michigan counties or associations of counties, not the state. This program should be eliminated.

¹⁸⁰ FY 1995-96 Appropriations Report, page 117. Lansing: Senate Fiscal Agency, July 1995.

¹⁸¹ See Murray, Charles. *Losing Ground: American Social Policy 1950-1980*. New York: Basic Books; and Olasky, Marvin. *The Tragedy of American Compassion*. Washington: Regnery Gateway, 1992.

¹⁸² 1995 Enrolled Senate Bill Number 300, page 2.

¹⁸³ Ibid, page 3.

¹⁸⁴ Ibid, page 3.

¹⁸⁵ See Beito, David T. "Mutual Aid for Social Welfare: The Case of American Fraternal Societies." *Critical Review*, Fall 1990; Cornuelle, Richard C. *Reclaiming the American Dream: The Role of Private Individuals and Voluntary Associations*. New Brunswick, NJ: Transaction Publishers, 1993; Green, David. *Reinventing Civil Society: The Rediscovery of Welfare Without Politics*. London: Institute of Economic Affairs, 1993; Sugden, Robert. "Voluntary Organizations and the Welfare State," in *Privatisation and the Welfare State*. London: Allen & Unwin, 1984; and Weaver, Carolyn L. "Support for the Elderly Before the Depression: Individual and Collective Arrangements." *Cato Journal*, Fall 1987.

¹⁸⁶ 1995 Enrolled Senate Bill Number 300, page 3.

¹⁸⁷ Ibid, page 3.

¹⁸⁸ Ibid, page 3.

¹⁸⁹ Ibid, page 3.

¹⁹⁰ Ibid, page 4.

¹⁹¹ Ibid, page 4.

¹⁹² Ibid, page 4.

¹⁹³ Ibid, page 4.

Department of State

Appropriations Summary	Actual¹⁹⁴	Recommended	Savings
Interdepartmental Grants:	\$1,267,700	1,267,700	0
Federal Funds:	\$1,920,000	1,025,000	\$895,000
State General Fund/General Purpose:	\$16,214,500	12,143,000	\$4,071,500
Special Revenue Funds:	\$147,157,600	139,430,400	\$7,727,200
Gross Appropriation:	\$166,559,800	153,866,100	\$12,693,700

The Michigan Department of State (MDS) is the oldest department in the state government. The department conducts programs and services in four major areas: traffic safety and motor vehicle related activities; overseeing statewide elections; maintaining many state and local governmental records; and operating state historical programs.

In the case of the first three areas, there is little that the state legislature can do in the next fiscal year to vastly improve its performance via streamlining, zeroing out, and privatizing programs--although there may be dramatic steps that can, and should, be taken in this direction over a longer period of time.

But in the case of the last area--historical programs--there is room for dramatic improvement. The state should immediately cease all operations in this area, since these programs should be handled by private sector institutions.

MDS Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Historical Program	\$6,350,800 ¹⁹⁵	\$895,000 from Federal Funds; \$4,071,500 from GF/GP; \$1,384,300 from Special Revenue Funds

Program Description:

The Historical Program operates the Michigan Historical Museum in Lansing; administers 9 other field museums and historic sites around the state; administers the state's archaeology program; publishes *Michigan History* magazine; is responsible for the operation of the State Archives of Michigan; oversees the implementation of the National Register of Historic Places; maintains the State Register of Historic Sites; implements the Centennial Farms program; and administers the Michigan Historical Marker program.

Recommended Action:

Michigan has a long and storied history--a history that many have an interest in preserving and recording for future generations. As a result, there is little reason for the state to continue funding the Historical Program. Instead, it should either sell or donate all assets in this area to charitable and educational organizations, such as universities, privately run museums, and historical societies. These organizations would continue to provide similar services commensurate with the voluntary support they receive from Michigan foundations, citizens, and businesses.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Commemorative, Specialty, Veterans, Organizational, and Olympic Center License Plates	\$6,342,900 ¹⁹⁶	All from Special Revenue Funds

Program Description:

These line items represent the funds spent on the processing of vanity plate orders.

Recommended Action:

The state should merely authorize a particular vanity license number, and allow the vehicle owner to purchase the plate from the lowest cost private provider, ending the state's involvement in providing vanity plates.

¹⁹⁴ FY 1995-96 Appropriations Report, page 123. Lansing: Senate Fiscal Agency, July 1995

¹⁹⁵ 1995 Enrolled Senate Bill Number 298, page 12.

¹⁹⁶ Ibid, page 11.

Department of State Police

Appropriations Summary	Actual¹⁹⁷	Recommended	Savings
Interdepartmental Grants:	\$7,539,400	\$7,539,400	0
Federal Funds:	\$33,247,900	\$33,247,900	0
State General Fund/General Purpose:	\$240,501,900	\$239,501,900	\$1,000,000
Special Revenue Funds:	\$58,384,200	\$57,866,700	\$517,500
Gross Appropriation:	\$339,673,400	\$338,155,900	\$1,517,500

The Michigan Department of State Police (MDSP) was created in 1935. Its purpose is to "provide 24-hour statewide quality police service for the safety and the protection of the people and their property in the state of Michigan. Its primary responsibilities are to reduce the opportunities for crime, to reduce traffic accidents through diligent and fair enforcement of the laws of this state, and to act as a first responder to any citizen's needs that can be addressed through the resources of the criminal justice system."¹⁹⁸ The Department does a satisfactory job of fulfilling these stated goals. But like all large governmental agencies, the MDSP operates a number of programs that are unnecessary. They are reviewed below.

MDSP Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Occupant Protection Grants	\$1,000,000 ¹⁹⁹	All from GF/GP

Program Description:

Previously listed as a separate line item, this program is now included in the line item "Highway Traffic Safety." The Occupant Protection Grants are aimed at getting 70% of the public to use their seat belts, as well as a corresponding number of motorcycle operators to wear a helmet.

Recommended Action:

There is no need to continue this program. The state already has laws in place that mandate motor vehicle operators to use seat belts and helmets when appropriate. It does not need to spend \$1 million each year to encourage compliance, a task that can be handled by private associations and businesses if they deem it a priority.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Nuclear Power Plant Emergency Planning	\$517,500 ²⁰⁰	All from Special Revenue Funds

Program Description:

This grant provides funds for emergency planning services and emergency sirens to privately run nuclear power plants.

Recommended Action:

As was stated in our discussion of a similar program located in the Commerce budget, other industries, such as chemical producers, provide their own emergency planning and response programs, and the nuclear power

industry should do likewise. Nuclear emergency planning is the responsibility of the providers and the communities where they are located, not the state. This program should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Fire Marshal Programs	\$5,934,900 ²⁰¹	All from GF/GP

Program Description:

This line item represents the operating budget of the office of the State Fire Marshal. That office is responsible for the inspection of various governmental buildings; it also assists local fire departments in responding to hazards and fires.

Recommended Action:

Various state policy institutes have recommended the abolition of this position from their states' budget, as they have determined them to be duplicative of the functions provided by local fire departments.²⁰² Such is also the case with Michigan--this office should be eliminated. It should be noted that the following programs will *not* be affected by eliminating this program: "Fire Investigation Training to Locals"; "Fire Alarm and Suppression System"; "Federal Fire Safety Inspections"; "Hazardous Materials Inspection"; "Fire Fighters Training Council"; and "Fire Safety Board."

¹⁹⁷ FY 1995-96 Appropriations Report, page 126. Lansing: Senate Fiscal Agency, July 1995.

¹⁹⁸ *The Michigan Manual: Senate 1993-94*, page 538. Lansing: Legislative Service Bureau, 1993.

¹⁹⁹ 1995 Enrolled Senate Bill Number 302, pages 2-3.

²⁰⁰ 1995 Enrolled Senate Bill Number 302, pages 4-5.

²⁰¹ *Ibid*, page 4.

²⁰² See, for example, "A Citizen's Guide to the State Budget Mess: A Menu of 220 Proposals to Reduce State Government Spending," page 17. Sacramento: The Claremont Institute, 1995.

Department of Transportation

Appropriations Summary	Actual²⁰³	Recommended	Savings
Interdepartmental Grants:	0	0	0
Federal Funds:	\$411,292,800	\$409,292,800	\$2,000,000
State General Fund/General Purpose:	0	0	0
Special Revenue Funds:	\$1,461,284,300	\$1,222,004,200	\$239,280,100
Gross Appropriation:	\$1,872,577,100	\$1,631,297,000	\$241,280,100

The primary functions of the Michigan Department of Transportation are the construction, improvement, and maintenance of the state highway system--the 9,700 miles of interstate, U.S. and M-numbered highways. Additional responsibilities include the development and implementation of comprehensive transportation plans for the state, including aeronautics and train and bus transit; the provision of professional and technical assistance; and the administration of state and federal funds allocated for these programs.

The state can reap immediate savings by implementing the following changes, which involve eliminating or reducing unproductive subsidies, and reforming the organizational structure of securing highway infrastructure construction and repair.

MDT Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Marine Passenger Services	\$1,000,000 ²⁰⁴	All from Special Revenue Funds

Program Description:

This program subsidizes the island boat services provided to the residents of Drummond Island, Nebbish Island, and Sugar Island.

Recommended Action:

The cost of boat rides should be borne by the residents themselves; if one chooses to live in a remote area where transportation is difficult, one should be responsible for paying the associated costs, and not demand subsidies from other Michigan citizens. This \$1 million program should be eliminated immediately.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
State Transportation Maps	\$88,800 ²⁰⁵	All from Special Revenue Funds

Program Description:

Included in the Bureau of Transportation Planning budget is funding for this program, which distributes 6,000 maps a year to all members of the State Senate and the State House free of charge; the maps are then altered (usually the legislator's name, office location, and photo are placed on the map) and given to constituents.

Recommended Action:

The state should immediately end this program, as it unduly subsidizes the reelection campaigns of state legislators--who, via their incumbency, already possess a large advantage over all possible challengers. Michigan maps are already provided by several private companies.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Targeted Economic Development Fund; Targeted Industries	\$14,666,100 ²⁰⁶	All from Special Revenue Funds

Program Description:

This program subsidizes the construction of access roads for major Michigan industries. For example, both Domino's Pizza and General Motors have been beneficiaries of grants.

Recommended Action:

The construction of access roads that primarily serve a particular company should be funded by the companies themselves, not by government. The state should eliminate this program.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Freight Property Management	\$2,600,000 ²⁰⁷	\$250,000 from Federal Funds; \$2,350,000 from Special Revenue Funds

Program Description:

This program funds the maintenance of the 706.64 miles of operational railroad track that the state owns.

Recommended Action:

As Dr. John C. Taylor of the Wayne State University School of Business has written, "There is no valid reason for the state to continue to be involved in railroad track ownership. As a general rule MDOT supports getting out of this business, but more needs to be done to implement that position. This track should be sold to the highest bidder in an open process that assures the state the best available price. Sales revenue will not be substantial, but the state should save several million dollars a year in maintenance costs."²⁰⁸

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Rail Passenger Service	\$1,750,000 ²⁰⁹	All from Federal Funds

Program Description:

This program subsidizes two Amtrak routes: the Port Huron to Chicago via Lansing and Grand Rapids route, and the Marquette to Chicago via Grand Rapids route.

Program Recommendation

Eliminating Amtrak subsidies has been suggested recently by a number of United States congressmen and many national public policy research institutes.²¹⁰ Unfortunately, the federal government has not done so; many subsidies, such as these, still persist. Amtrak should become independent of government assistance and be required to freely compete with other providers in the transportation market. This subsidy should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Detroit/Wayne County Port Authority	\$301,900 ²¹¹	All from Special Revenue Funds

Program Description:

This program subsidizes the Detroit/Wayne County Port Authority Advertising Program.

Recommended Action:

The City of Detroit and Wayne County should be responsible for its port authority's advertising program, if such a program is to be conducted at all. This subsidy should be eliminated.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Intercity Bus Equipment; Intercity Bus Development	\$2,000,000 ²¹²	All from Special Revenue Funds

Program Description:

These programs subsidize the repairs and purchases of Greyhound and White Plains buses that service routes between selected Michigan cities.

Recommended Action:

A Department of Transportation official has been quoted as saying that if the state did not grant such subsidies to Greyhound and White Plains, "there would be no service" to these selected cities. Even if true, this fact fails to justify the program. The market economy is an invaluable system for many reasons, not the least of which is the efficiency with which it disperses information--including information regarding where entrepreneurial opportunities lie and where they do not.²¹³ The market has sent a clear signal to the commercial bus industry that service to some selected Michigan cities is simply not a wise move; and as a result, it has acted on such information and decided not to supply such services. This is not an inefficient or undesirable outcome as some suggest; on the contrary, it is precisely what we would like to see in a market system: rational decision making. The state should end these subsidies and allow the market to operate correctly.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Local Bus Operations	\$107,000,400 ²¹⁴	All from Special Revenue Funds

Program Description:

This program subsidizes local bus systems throughout the state--up to 40 percent of total operating costs for each system.

Recommended Action:

Funding for local bus systems should be provided by local riders, not state government. Local control and funding provides greater accountability and requires that local systems prove their worth relative to other transportation alternatives.

MDT Programs to be Downsized

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Road and Bridge Programs	\$1,118,733,000 ²¹⁵	All from Special Revenue Funds

Program Description:

This division is responsible for the construction and maintenance of Michigan's 117,659 mile highway system.²¹⁶

Recommended Action:

The state should immediately implement fundamental structural changes to this division. Indeed, as Dr. John C. Taylor of the Wayne State University School of Business has suggested in a Mackinac Center for Public Policy report:

[T]he Governor should form a Michigan Commission on Highway Infrastructure Reform to study and report on ways to reinvent the roadbuilding and maintenance system. Just as with welfare reform, we need to re-examine the entire system, and consider fundamental changes. Possible changes that a commission should consider include reforms in the organization and the operations of state, county and city road operations, and the interface between these entities. The role of county road commissions as independent entities should be specifically considered.

[T]he proposed commission should also investigate the way other states operate at the local level, the productivity of existing operations relative to other states, the potential for savings, and possible state incentives to eliminate duplication and improve productivity and efficiency. The commission should also examine opportunities to eliminate duplication between state and county operations and potential savings from consolidations or increased contracting relationships, and the potential to increase the privatization of state, county and city highway operations.

Aggressive reforms in the organizational structure and methods of securing highway infrastructure and repair could generate substantial savings . . . a reinvention of how government and the private sector function in the roadbuilding and maintenance business can save at a bare minimum 10% of the current maintenance costs.²¹⁷

Thus, if Taylor's estimates are correct and the state implemented such changes, a savings of \$111,873,300 could be realized within the next fiscal year, as spending could be reduced from \$1,118,733,000 to \$1,006,859,700.

²⁰³ FY 1995-96 Appropriations Report, page 130. Lansing: Senate Fiscal Agency, July 1995.

²⁰⁴ 1995 Enrolled Senate Bill Number 304, page 4.

²⁰⁵ Ibid, page 4.

²⁰⁶ Ibid, pages 4-5.

²⁰⁷ Ibid, pages 4-5.

²⁰⁸ Taylor, John C. *Fixing the Roads: A Blueprint for Michigan Transportation Infrastructure Policy*, page 24. Mackinac Center for Public Policy, 1995.

²⁰⁹ 1995 Enrolled Senate Bill Number 304, pages 4-5.

²¹⁰ See, for example, Hodge, Scott A. (editor). *Rolling Back Government: A Budget Plan to Rebuild America*. Washington: Heritage Foundation, 1995; and Moore, Stephen and William A. Niskanen. "Budget Reduction," in *The Cato Handbook for Congress*. Washington: Cato Institute, 1995.

²¹¹ 1995 Enrolled Senate Bill 304, pages 4-5.

²¹² Ibid, pages 4-5.

²¹³ See Hayek, F.A. *Individualism and Economic Order*. Chicago: University of Chicago Press, 1948; Kirzner, Israel M. *Perception, Opportunity, and Profit: Studies in the Theory of Entrepreneurship*. Chicago: University of Chicago Press, 1979; and O'Driscoll, Gerald P. *Economics as a Coordination Problem: The Contribution of Friedrich A. Hayek*. Kansas City: Sheed, Andrews, and McMeel, 1977.

²¹⁴ 1995 Enrolled Senate Bill Number 304, page4.

²¹⁵ 1995 Enrolled Senate Bill Number 304, pages 3-4

²¹⁶ This figure includes all roads in Michigan controlled by either the state, by counties, or by cities and villages.

²¹⁷ Taylor, John C. *Fixing the Roads: A Blueprint for Michigan Transportation Infrastructure Policy*, page 21-22. Mackinac Center for Public Policy, 1995.

Department of Treasury

Appropriations Summary	Actual²¹⁸	Recommended	Savings
Interdepartmental Grants:	\$14,601,300	\$14,601,300	0
Federal Funds:	\$40,144,000	\$40,144,000	0
State General Fund/General Purpose:	\$103,614,400	\$103,564,400	\$50,000
Special Revenue Funds:	\$1,418,555,700	\$1,386,555,700	\$32,000,000
Gross Appropriation:	\$1,576,915,400	\$1,544,865,400	\$32,050,000

The mission of the Michigan Department of Treasury (MDT) is:

to collect taxes; to invest, control, and disburse state monies; to protect the credit of the state and its municipalities; to prescribe and audit the accounting systems for county and municipal governments; to develop and maintain a uniform method of appraising real and personal property upon which taxes are assessed; and to revert unclaimed personal property to the state.²¹⁹

These functions are necessary for the operation of state government departments and programs. What are not necessary, however, are some of the grant programs that the Department of Treasury administers. Recommendations on how and where to reduce these programs are listed below.

MDT Programs to be Eliminated

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Convention Facility Development Distribution	\$32,000,000 ²²⁰	All from Special Revenue Funds

Program Description:

The Convention Facility Development Distribution program awards grants to local areas (primarily counties and the city of Detroit) for the construction and development of convention centers. In the past year, about half of the money awarded from these grants went to the city of Detroit for the renovation and expansion of Cobo Hall. This program is funded by a statewide tax on alcohol and a tax on motels in the Detroit metro area.

Recommended Action:

The construction and renovation of convention centers is the responsibility of the private sector, not state government. This program should be eliminated immediately.

<u>Program</u>	<u>Gross Appropriation</u>	<u>Appropriation Breakdown</u>
Michigan Education Trust Fund Challenge Grants	\$50,000 ²²¹	All from GF/GP

Program Description:

These grants are awarded to low-income children so that they may enter the Michigan Education Trust program (MET).

Recommended Action:

Scholarships should be the responsibility of private foundations and other organizations, not the state. This program should be eliminated.

²¹⁸ FY 1995-96 Appropriations Report, pages 133, 135, 138. Lansing: Senate Fiscal Agency, July 1995.

²¹⁹ "State of Michigan Fiscal Year 1995-96 Appropriations: Summary and Analysis." Lansing: House Fiscal Agency, 1995.

²²⁰ 1995 Enrolled Senate Bill Number 298, page 16.

²²¹ Ibid, page 16.

Appendix I: Refusing Federal Funds

Many of the proposals listed in this paper recommend eliminating or reducing programs that are either partially or entirely federally funded. Undoubtedly the wisdom of such proposals will be questioned. Many people will say "Why turn down our share of federal funds? This is essentially free money. We should take it while we have a chance." And on first glance this appears to be a rational reaction. Yet, when one examines the issue more carefully, one sees that refusing federal funds is not only rational, it is imperative.

Federal Funds as a Share of the Total Michigan Budget

Over the past thirty years--since the beginning of Lyndon Johnson's Great Society--federal funding as a percentage of Michigan's total budget has increased dramatically--as demonstrated by Table 1. Indeed, for fiscal year 1995-1996 federal funds will account for over 25% of the total budget. If the state of Michigan is going to replace failed political society programs with civil society institutions--as advocated in the introduction--then it cannot neglect over *one quarter* of the total state budget. Those who believe that state government can, and should, be significantly downsized must realize that the only way to do this is to cut programs that are both funded from the general fund *and* from federal revenues.

If federal funds as a percentage of the total Michigan budget continue to grow during the next thirty years as they did during the last thirty, then nearly 40% of the state budget will be funded federally by the year 2025. Are we at that time going to say that we cannot cut a program simply because its funding comes from Washington instead of from Lansing? The answer is clearly "no." Michigan needs to set an example for all the states. It needs to begin the long process of reclaiming power from Washington. And the only way to do that is to realize that federally funded programs must be held to the same scrutiny that non-federally funded programs are. If they are not, real reform cannot take place in Michigan, or any other state.

From Where Do These Federal Funds Come?

One of the most destructive myths regarding federally funded state programs is that these programs are "free" to the citizens of Michigan; that they are essentially gifts. This myth ignores common sense. Michigan citizens are also United States citizens and hence subject to the same federal laws and regulations to which all United States citizens are subject--including federal tax laws. In addition to state taxes, Michigan citizens also pay federal income taxes, federal capital gains taxes, as well as numerous other federal taxes, seen and unseen. It is these taxes that pay for Michigan's supposedly "free" federally funded programs. And unfortunately the size of these taxes have increased over the last several years.

Consider that in 1900 per capita federal taxes, in 1990 dollars, were less than \$100; by 1960 that number had risen to approximately \$2,500; and by 1990 that figure had skyrocketed to over \$4,000.²²² Similarly, federal taxes as a share of median family income rose from just 5% in 1950, to 24% in 1990.²²³ What this growth in taxation has meant is that government is slowly but surely beginning to crowd out private investment and, hence, lowering America's productivity. For example, consider that in 1900, federal outlays amounted to less than 5% of total gross domestic product, but by 1993 that number had climbed to over 25%.²²⁴ Increased federal taxation has very real effects--effects that are felt by all citizens, not just the wealthy.

The only way to lower the federal tax burdens of Michigan citizens and, in the process, help achieve sustained economic growth is to eliminate or reduce the size of the programs that these taxes fund. That means that all federal programs must be considered--including ones that purportedly benefit Michigan.

Should We Retain Harmful Programs Just Because They are Federally Funded?

As we have shown above, if Michigan is going to seriously address the problem of increased state spending and increased federal taxes it must reject the idea that federally funded programs should be exempt from budget cuts. But an even more fundamental issue must be addressed. That is, should *bad* programs that are federally funded be retained just because of the source of their funding? Many would have us believe that this question is a *non sequitur* because to states, no federal money can ever be seen in a negative light; states should get their slice of the federal pie

in whatever way they can. Fortunately, several states have moved beyond this logic and begun to realize that federally funded programs, like all other programs, are fallible and should be judged accordingly. Michigan should do the same.

Within the past year, four states--Alabama, New Hampshire, Montana, and Virginia--rejected federal grants from the Department of Education. The grants were intended to be used for the implementation of President Clinton's Goals 2000 program. Fearing that the program would unduly restrict the ways in which they could operate and manage their educational systems, these four states simply refused to accept the funding and the strings that went along. Michelle Easton, a member of the Virginia Board of Education, recently told a congressional committee why her state decided to take the course of action that it did:

In exchange for the first year's Goals 2000 planning money, about a penny per day per student in Virginia, why would we agree to submit our new standards to the federal government and then to get federal permission before we made changes to these standards? Why would Virginia want to participate in a program where the first draft of the federal history standards were so bad that the United States Senate voted 99-1 to oppose them? Why would Virginia want to participate in a federal education program that required the state to spend time and energy developing new nonacademic standards called "Opportunity to Learn" (OTL) standards? Some lawyers call the OTL standards "Opportunity to Litigate," since they provide the basis for more equity-financing lawsuits against the state.²²⁵

Michigan, like the four states who refused funding for the Goals 2000 program, must realize that many of the federally funded programs for which they are eligible are not always gifts ready to be taken. Many, in fact, are nearly the opposite: ill-conceived projects waiting to be unleashed upon the states. Michigan should identify these programs for what they are and eliminate them. As Paul Neal of the Center for the Study of Federalism has said, "States have different political cultures. There is no one policy from Washington that will meet all of those different preferences."²²⁶

Summary

If Michigan is going to achieve significant budget reform, it cannot exempt federally funded programs from the reform process. These programs should be held to the same scrutiny to which all others are held. Contrary to popular wisdom, these programs are burdens, not boons, to the Michigan taxpayer, and many of them have counterproductive effects. If it is determined that a program is unnecessary or counterproductive, it should be eliminated--regardless of whether it is funded by Washington or Lansing.

Table 1

<u>Fiscal Year</u>	<u>Total Revenue</u>	<u>Federal Revenue</u>	<u>Federal Revenue as a Percent of Total Revenue</u>
1965-1966	\$1,871,559,000	\$296,358,000	15.8%
1966-1967	\$2,033,833,000	\$379,026,000	18.6%
1967-1968	DATA NOT AVAILABLE		
1968-1969	\$2,874,624,000	\$474,215,000	16.4%
1969-1970	\$3,080,393,000	\$566,723,000	18.3%
1970-1971	\$3,444,173,000	\$703,127,000	20.4%
1971-1972	\$4,158,425,000	\$898,170,000	21.5%
1972-1973	\$5,021,810,000	\$1,202,562,000	23.9%
1973-1974	\$5,373,135,000	\$1,264,706,000	23.5%
1974-1975	\$5,585,038,000	\$1,445,000,000	25.8%
1975-1976*	\$7,888,417,000	\$2,144,561,000	27.1%
1976-1977	\$7,174,696,000	\$1,840,934,000	25.6%
1977-1978	\$8,155,678,000	\$2,066,814,000	25.3%
1978-1979	\$8,541,985,000	\$2,129,729,000	24.9%
1979-1980	\$9,135,978,000	\$2,452,370,000	26.8%

1980-1981	\$9,344,403,000	\$2,602,459,000	27.8%
1981-1982	\$9,504,160,000	\$2,635,608,000	27.7%
1982-1983	\$10,714,710,000	\$2,770,046,000	25.8%
1983-1984	\$12,078,144,000	\$3,030,149,000	25.0%
1984-1985	\$12,879,436,000	\$3,190,771,000	24.7%
1985-1986	\$13,624,035,000	\$3,498,626,000	25.6%
1986-1987	\$14,020,981,000	\$3,613,403,000	25.7%
1987-1988	\$14,881,444,000	\$3,714,726,000	24.9%
1988-1989	\$15,720,651,000	\$3,861,767,000	24.5%
1989-1990	\$16,523,963,000	\$4,136,458,000	26.1%
1990-1991	\$17,954,259,000	\$4,733,982,000	26.3%
1991-1992	\$19,575,671,000	\$5,289,427,000	27.0%
1992-1993	\$20,549,427,000	\$5,831,575,000	28.3%
1993-1994	\$23,605,160,000	\$6,273,085,000	26.5%
1994-1995**	\$27,122,038,985	\$7,041,608,950	25.9%
1995-1996**	\$28,080,901,387	\$7,218,469,600	25.7%

Sources:

Prior to FY 1994-1995, "Michigan Comprehensive Annual Financial Report." Senate Fiscal Agency.

For FY 1994-1995, "FY 1994-1995 Appropriations Report." Senate Fiscal Agency.

For FY 1995-1996, "FY 1995-1996 Appropriations Report." Senate Fiscal Agency.

* FY 1975-1976 was a 15 month fiscal year, beginning July 1, 1975 and ending September 30, 1976.

** The numbers for Fiscal Years 1994-1995 and 1995-1996 reflect appropriations, not actual revenues.

²²² Moore, Stephen. *Government: America's Number One Growth Industry*, page 70. Lewisville, Texas: Institute for Policy Innovation, 1995.

²²³ Ibid, page 77.

²²⁴ Ibid, page 44.

²²⁵ Quoted in Innerst, Carol. "Alabama Quits Goals 2000, Gives Back Federal Funds." *The Washington Times*, October 5, 1995.

²²⁶ Quoted in Stein, Robert S. "Decentralizing American Government." *Investor's Business Daily*, November 21, 1994.

Appendix II: Contacts

Department of Agriculture
Ottawa Building
P.O. Box 30017
Lansing, MI 48909
(517) 373-1104

Department of Civil Rights
303 West Kalamazoo
Lansing, MI 48913
(517) 335-3165

Department of Commerce
Law Building
P.O. Box 30004
Lansing, MI 48909
(517) 373-7230

Department of Education
John A. Hannah Building
P.O. Box 30008
Lansing, MI 48909
(517) 373-3324

Department of Labor
Victor Office Center
201 N. Washington Square
Lansing, MI 48913
(517) 373-9600

Department of Mental Health
300 South Walnut Street
Lansing, MI 48913
(517) 373-3500

Department of Natural Resources
Stevens T. Mason Building
P.O. Box 30028
Lansing, MI 48909
(517) 373-2329

Department of Social Services
Grand Tower
P.O. Box 30037
Lansing, MI 48909
(517) 373-2000

Department of State Police

Department of Civil Service
Capitol Commons
P.O. Box 30002
Lansing, MI 48909
(517) 373-3020

Department of Corrections
Grandview Plaza
P.O. Box 30003
Lansing, MI 48909
(517) 373-0720

Jobs Commission
Victor Office Center
201 N. Washington Square
Lansing, MI 48913
(517) 373-8500

Department of Management and Budget
Lewis Cass Building
P.O. Box 30026
Lansing, MI 48909
(517) 373-1004

Department of Military Affairs
Headquarters Building
2500 S. Washington Avenue
Lansing, MI 48913
(517) 483-5507

Department of Public Health
3423 N. Logan Blvd.
P.O. Box 30195
Lansing, MI 48909
(517) 335-8024

Department of State
Treasury Building
P.O. Box 30045
Lansing, MI 48918
(517) 373-2510

Department of Transportation

714 S. Harrison Road
East Lansing, MI 48823
(517) 336-6157

Department of Treasury
Treasury Building
P.O. Box 15128
Lansing, MI 48901
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