



Budget Reform Ideas for 2015 and Beyond

By Michael D. LaFaive

Summary

Fiscal Policy Director Michael D. LaFaive continues to look at areas of the state budget that could be cut or spent in a more appropriate fashion.

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The fiscal 2015 year began Oct. 1 and this year's budget is more than \$52 billion. Some may think every line item amounts to spending that should be held sacrosanct. Your author is not among them.

The Center has repeatedly noted that every dollar unnecessarily taken from Michigan taxpayers is a dollar that they do not have to advance their own interests: expand their business or farm, provide better educations to their children, or invest in capital markets or philanthropy. In order to let people keep more of what they earn we have recommended across-the-board personal and business tax cuts, among other items.

In past months we have pointed to worthy reforms that could be adopted or adapted to reduce state spending by \$866 million. Below is a list — not all necessarily original with the Mackinac Center — that could be used to trim the budget by a further \$422.3 million.

- Adopt “presumptive parole” for prisoners who have served their minimum sentences and done all they can to earn release. Savings: \$162 million.

Lansing-based nonprofit Citizens Alliance on Prisons & Public Spending has long argued that the state spends too much housing men and women who have met requirements for release. Parole boards may have too much discretion in rejecting parole candidates.

They estimate that releasing most deserving inmates (about 77 percent) on their earliest parole date may save state taxpayers \$162 million annually, after subtracting out the costs of parole monitoring and parole appeals made by prisoners.

Prison reform ideas have been percolating in this state for years. Indeed, in March 2011 several nonprofit groups and individuals attended a symposium in Lansing to talk about shaving Michigan's [then] \$2 billion prison budget by a whopping \$500 million.

- Repeal prevailing wage: Savings: \$250 million.

Prevailing wage mandates higher than market wages be paid on all projects funded by the government (roads and school construction, for instance). The figure above represents an estimate made by then-director of labor policy for the Mackinac Center, Paul Kersey, in 2007 on what could be saved on state-funded projects alone.

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Corporate welfare for things like the Michigan International Speedway is just one example of unnecessary state spending.

This idea is particularly important in light of a possible dramatic increase in road construction. If the state is really going to spend \$1.2 billion more of our own resources on new and better roads and bridges, it ought to maximize the value of the expenditures by avoiding artificially high construction costs.

The Anderson Economic Group published a study in 2013 estimating that \$224 million could be saved annually by repealing PW laws just for public universities, community colleges and school districts.

- Repeal certain “one-time” appropriations in the 2015 budget immediately: Savings: \$10.1 million.

Last month, I recommended ending the “one-time” appropriation of \$831,900 for the Michigan International Speedway for traffic control that seems to occur every year. The speedway is not the only one-time expenditure in the state budget.

Others include (but are not limited to) dollars for corporate and industry welfare such as the “Food and agriculture industry growth initiative” (\$2 million); the “Muskegon farmers market” (\$200,000); and the “Ottawa County agriculture incubator” (\$500,000).

The Senior Olympics (no, I’m not making that up) and “Regional Prosperity Grants” also garner grants of \$100,000 and \$1 million, respectively. Both the first and last items in this list also receive ongoing appropriations elsewhere in the budget and which total \$3.5 million. (This figure is not included in our savings totals.)

- End the Morris Hood Jr. educator program. Savings: \$148,600.

This line item attempts to increase the number of minority students who enroll in and complete K-12 teacher programs in education. It doesn’t appear to work.

According to the Center for Educational Performance and Information, the percentage of minority teachers in Michigan has dropped from 10.2 percent to 8.9 percent of all teachers between 2007 and 2013. This has occurred while the percentage of minority students has increased from 28.9 percent to 31.7 percent during the same timeframe.

These reforms are worth a conservative \$422 million in annual savings. They could be captured with relative ease. Even if politicians can’t bring themselves to cut taxes, there must surely be more valuable uses for the money: improving roads and shoring up school pensions being just two.

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