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## Spending up \$1.5 billion in governor's \$18 billion budget plan

In the first budget proposal drafted under the rules of Initiative 601, Gov. Mike Lowry increases spending nearly \$1.5 billion from the 1993-95 biennial budget, virtually at the limit established by the initiative. Nearly one-third of the increase (\$432 million) is aimed at cost-of-living increases for state employees, teachers, and social services grant recipients and service providers.

The table below compares the proposed spending plan with estimated spending in the current biennium. The governor's supplemental budget appears as a separate line-item. Spreading the supplemental recommendations across functional categories would not significantly affect the comparisons.

### General Fund - State Expenditures by Function

	1991-93 Actual	1993-95 Estimated	1995-97 Proposed	\$ Change '93-'95 to '95-'97	% Change '93-'95 to '95-'97	Percent of Total Exp.
<b>General Government</b>						
Legislative	\$105,977,835	\$100,964,732	\$105,000,815	\$4,036,083	4.00%	0.59%
Judicial	64,687,858	55,217,369	58,213,036	2,995,667	5.43	0.32
Governmental Operations	302,310,055	307,581,159	305,271,486	(2,309,673)	(0.75)	1.70
<b>Sub-Total</b>	<b>472,975,748</b>	<b>463,763,260</b>	<b>468,485,337</b>	<b>4,722,077</b>	<b>1.02</b>	<b>2.61</b>
<b>Human Services</b>						
Social & Health Svcs.	3,761,815,843	4,030,016,671	4,805,916,070	775,899,399	19.25	26.82
Other Human Services	708,740,353	836,197,597	893,987,065	57,789,468	6.91	4.99
<b>Sub-Total</b>	<b>4,470,556,196</b>	<b>4,866,214,268</b>	<b>5,699,903,135</b>	<b>833,688,867</b>	<b>17.13</b>	<b>31.81</b>
<b>Natural Resources</b>	<b>284,552,856</b>	<b>267,156,522</b>	<b>237,879,662</b>	<b>(29,276,860)</b>	<b>(10.96)</b>	<b>1.33</b>
<b>Transportation</b>	<b>38,454,059</b>	<b>111,402,242</b>	<b>19,282,226</b>	<b>(92,120,016)</b>	<b>(82.69)</b>	<b>0.11</b>
<b>Education</b>						
Public Schools	7,060,981,687	7,756,565,483	8,499,262,884	742,697,401	9.58	47.44
Higher Education	1,881,203,070	1,860,486,043	1,862,606,572	2,120,529	0.11	10.40
All Other Education	45,141,883	44,375,944	45,999,497	1,623,553	3.66	0.26
<b>Sub-Total</b>	<b>8,987,326,640</b>	<b>9,661,427,470</b>	<b>10,407,868,953</b>	<b>746,441,483</b>	<b>7.73</b>	<b>58.09</b>
<b>All Other</b>						
All Other Proposed Approp.	0	0	106,363,000	106,363,000	-	0.59
Bond Retirement & Interest	561,531,586	721,878,683	764,833,595	42,954,912	5.95	4.27
Other Budgeted Expend.	167,201,790	184,409,947	212,768,639	28,358,692	15.38	1.19
Supplemental Budget	0	162,859,896	0	(162,859,896)	(100.00)	0.00
<b>Sub-Total</b>	<b>728,733,376</b>	<b>1,069,148,526</b>	<b>1,083,965,234</b>	<b>14,816,708</b>	<b>1.39</b>	<b>6.05</b>
<b>Total Expenditures</b>	<b>\$14,982,598,875</b>	<b>\$16,439,112,288</b>	<b>\$17,917,384,547</b>	<b>\$1,478,272,259</b>	<b>8.99%</b>	<b>100.00%</b>

Source: Governor's 1995-97 Budget.

## Budget Issues

*Compensation.* The governor recommends cost-of-living increases of 2.9 percent for FY 96 and 3.1 percent in FY 97. The raises are spread throughout the 1995-97 budget. The cost for public school employees is estimated to be about \$240 million; for state employees, about \$81.9 million. While funding for these raises is provided by appropriation, the governor authorizes higher education salary increases (\$80.2 million) to be paid from tuition hikes and spending reductions. The higher education proposal is controversial, and likely to be amended in the Legislature. For that matter, the entire cost-of-living increase proposal faces an uncertain future in the House, which will propose its budget in a few weeks.

*Public Schools.* The governor cites increased student enrollment as the basis for \$421.4 million of the overall \$742 million increase in K-12 spending. Enrollment in the public schools is estimated to climb to just under 930,000 in the 1996-97 school year, a nearly 5 percent increase in two years. Compensation adjustments, including the salary increase cited above, account for an additional \$320 million in projected spending growth.

*Social and Health Services.* A nearly 20 percent increase in spending for the Department of Social and Health Services represents more than half of all increased spending proposed for 1995-97. The largest share of the increase, \$258.2 million, is tied to a reduction in the federal share of funding for several major entitlement programs, including AFDC and Medicaid. Caseloads continue to grow in all income assistance programs, contributing to an additional \$143.7 million in projected spending.

*Higher Education.* Virtually no general fund-state increase is shown for public colleges and universities, a fact not lost on advocates for higher education during legislative hearings earlier this month. The governor proposes instead to generate \$60 million for the schools by giving businesses a dollar-for-dollar tax credit for contributions made to financial aid programs. So far, the proposal has met with skepticism. By allowing colleges to increase tuition, within limits, the governor finds an additional \$70 million (maximum) in available revenues, a source of partial funding for salary increases. Continued enrollment pressure and concern for educational quality will combine to keep attention focused on higher education during the legislative budget hearings.

*1993-95 Supplemental Budget.* The governor's \$163 million supplemental budget has already been acted on in the Senate, which scaled it back to \$40 million, rejecting proposals for prepayment of debt service and a new computerized personnel system.

## Headcount and Privatization

Full-time equivalent (FTE) state employment in the governor's budget is projected to drop by 129 in the governor's 1995-97 budget, from 90,129 in the current biennium to 90,000. As usual, the budget contains a number of workforce changes, staffing decreases as well as increases. However, the key to overall FTE reduction seems to be in privatization of the state's retail liquor operation and the department of information systems (DIS). Neither of these proposals is likely to meet with legislative acceptance, at least as currently designed. And, if they were, the impact on the general fund would be negligible.

With privatization of retail liquor operations, state employment would drop by 382 FTEs. The state would remain as the exclusive liquor wholesaler, and the private interests awarded franchises to the state's 164 retail outlets would be required to take the current state employees at existing salary levels with comparable benefits.

The computer and telecommunications divisions of DIS would form the basis of a new, nonprofit corporation under the governor's plan. The corporation would continue providing existing services to state departments, presumably with the same employees.

If these measures progress, which currently seems doubtful, we will examine them in detail in future policy briefs. — RSD