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## The Unintended Results of Michigan's Divided Government

By James M. Hohman

### Summary

A conflict between a Republican Legislature and a Democratic governor led to restrained growth in the state budget.

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Michigan lawmakers found themselves in a new environment in 2019. The partisan split between the legislative and executive branches means that bills need bipartisan support to become law. And divided government has, so far, resulted in fiscal policies that neither branch has intended.

State spending was the central issue of the legislative debate this year. Gov. Gretchen Whitmer's campaign slogan was to improve road conditions, and she was going to need more money to do it.

Residents had to wait until February before she came up with her proposal, a 45-cent per gallon increase in fuel taxes that was expected to collect another \$2.5 billion from taxpayers. Not all of this was to go into the transportation budget, as the governor wanted 11 cents of the tax to go to schools.

This did not go over well with legislators who wanted to avoid a tax increase. Majorities in both chambers passed budgets without a tax hike, each using the growth of revenue to fund their priorities.

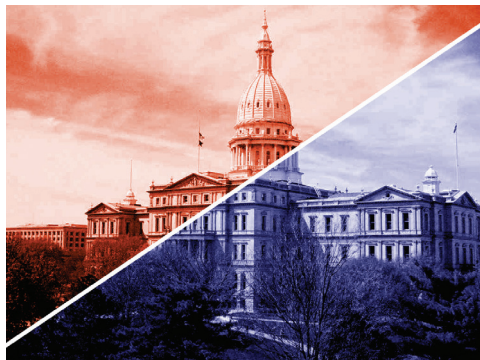
Indeed, lawmakers have used the state's growing revenue to increase transportation spending for years now. State transportation funding increased from \$2.0 billion in fiscal year 2010-11 to \$3.6 billion in 2018-19, a 62% gain when adjusted for inflation, though the increase also includes \$600 million from 2015 tax increases.

But the governor insisted that the budget include a tax increase and asked legislators to come up with their own plans to have one. House Democrats came up with some suggestions, but the Republican majorities did not.

While legislators can ignore a request to raise taxes, they cannot hide from budget battles. Each year, they need to come up with a budget so the state government can operate.

Legislators met the budget deadline and continued the state's trend of paying for priorities with growing revenues. Their passed budget included a \$372 million increase in transportation spending. The school funding amounts in that budget — another point of contention among lawmakers — seemed even closer to the governor's proposal, with the Legislature approving 99% of what the governor wanted.

Yet without the tax hike, the governor sought to use her powers to inflict damage on legislators. That included \$947 million worth of vetoed spending,



Divided government resulted in state spending going up by less than 2%.

which negated the Legislature's increase in transportation spending. She also made \$625 million in transfers — even though her authority to transfer money from some areas of the budget to others is constitutionally dubious.

Her vetoes were intended to harm legislators rather than be a stance against certain kinds of spending. In fact, newspapers reported afterward that the governor asked lobbyists to work hard to get legislators to approve new spending plans.

Some of the vetoes were inadvertently good policy, even if they were meant as punishment. Looking at tourism industries as more of a rural — and therefore, Republican — issue, the governor vetoed the taxpayer-financed Pure Michigan campaign. Regardless of any partisan implications of that action, tourism businesses should pay for their own advertising, not taxpayers, and eliminating the ad campaign is good policy.

The sides were able to agree to some additional spending afterward. Even so, divided government, combined with the decisions of the state's political leadership, led to a remarkable level of fiscal restraint. The budget will only increase 1.4% this year, and the remainder of vetoed spending will sit in state bank accounts until there is further consensus. Neither the governor nor legislative leadership intended to limit spending in the current fiscal year.

Despite road funding being the central issue of the governor's campaign, the state treasury is going to spend less on road repairs this year, another consequence that neither the governor nor legislators intended.

Divided government also means that our elected officials are going to be more sensitive to popular opinion. Public sympathy is always a constraint on what lawmakers can accomplish, but it takes center stage as the arbiter when political leaders cannot agree on competing goals.

Which is why lawmakers are likely to find a consensus to spend more on road repairs despite cutting it in the budget that started on Oct. 1. And in my own opinion, the source of the extra funds will be revenue growth, which is more popular than a tax hike.

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