

## **FROM: MICHIGAN LEAGUE FOR HUMAN SERVICES**

### **Ten Facts Michigan Citizens Need to Know About Michigan's Fiscal Crisis**

#### **1. Michigan has cut its budget by 40 percent over the last six years**

The state's general fund budget – the only piece that the Governor and Legislature have any real control over – today is 39 percent smaller, adjusted for inflation, than it was in 2000. It's 41 percent smaller than in 1989; it's 47 percent smaller than in 1978. This despite a steady increase in Michigan's population.

#### **2. Michigan's political leaders don't control a \$40 billion budget**

In reality, the discretionary part of the state's budget is \$8.27 billion – after inflation, that's lower than it was in 1973. The rest of the budget includes spending on roads (gasoline taxes are automatically earmarked for roads), on Medicaid (federal pass through money primarily) and the school aid fund (set in the constitution). When people say the state's overall budget has increased, they are right – but the entire increase has been driven by an increase in Medicaid spending financed by federal tax dollars to care for the poor.

#### **3. Michigan is not a high tax state**

Michigan's state and local taxes – business and individual combined – are below the national average

#### **4. Low-tax states tend to be poor states.**

Of the 10 poorest states, measured by per capita income, all have lower taxes than Michigan, according to U.S. Census data. Of the 10 most prosperous states, only two have lower taxes than Michigan – and one of those, Colorado, recently approved revenue enhancements.

**5. College education = prosperity.**

States with the highest percentage of their population with college degrees are the states with the highest per capita income. That includes Massachusetts, Connecticut, New Jersey and Maryland. States with the lowest percentage of their population with degrees have the lowest income. Those include West Virginia, Arkansas, Mississippi, Kentucky, Alabama and Louisiana. Michigan is 34th in the percentage of its population with a degree.

**6. Cutting state spending means cutting local government services such as police and fire protection.**

Michigan's revenue sharing system means local governments suffer when the state budget is cut – and they have limited ability to raise taxes to make up those losses. In recent years, state government has cut payments to local governments by more than \$2 billion.

As a result, Michigan today has 1,600 fewer law enforcement officers and 2,398 fewer firefighter fighters than in 2001 – when terrorists reminded us of the need for vigilance and preparedness.

**7. Cutting state health care funding doesn't really save the state or its families' money – it just drives up health insurance premiums, eliminates good jobs, and worsens the health of Michigan residents**

Today about \$730 of the health insurance premium paid by a family of four covers expenses run up at hospitals by uninsured persons. Every time the state cuts payments to hospitals and doctors, that figure increases.

**8. Michigan's budget problems are largely due to tax cuts, not economic problems**

State government today takes in a far smaller piece of each Michigan's family budget than in 2000. That year, state government expenditures were right at the Headlee constitutional limitation, which says that the state cannot spend more than 9.49 percent of the state's personal income. Today, after adjusting for Proposal A, we are \$5.2 billion below that limit, thanks to tax cuts, and we are spending just 8.0 percent of the state's personal income on state government.

**9. Michigan state government employment today is far smaller than it was just six years ago.**

Today state government has 52,259 employees. In 2000, Michigan had 61,493 employees. We have fewer workers than we had in 1978.

**10. Michigan citizens believe investment is the key to economic growth**

A recent poll conducted for the Michigan Fiscal Responsibility Project found 61 percent of respondents agreeing that after four years of cuts, we can't afford to cut more taxes.