

10 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, when John Engler was Governor. 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 is not a high-tax state.** A study for the House Republican caucus last year found that Michigan's state and local taxes – business and individual combined – are below the national average.
3. **Low-tax states tend to be poor states.** Of the 10 poorest states, measured by per capita income, eight have lower taxes than Michigan. Of the 10 most prosperous states, only three have lower taxes than Michigan – and two of those, Colorado and Virginia, recently approved major tax increases.
4. **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 37th in the percentage of its population with a degree; temporarily it is 25th in per capita income, but that number will continue to fall unless we increase our share of college graduates.
5. **Cutting state spending means cutting local government services such as police protection.** Michigan has set up a system of revenue sharing intended to return state tax dollars to local governments to assist with the provision of essential services. In return, cities have given up the ability to raise taxes locally. In recent years, state government has cut payments to local governments by more than \$2 billion – forcing the layoff of more than 1,600 police officers and increasing pressure on local property tax payers to fund this and other services that provide a high quality of life. Today, Michigan has fewer law enforcement officers than it did when terrorists struck our nation on 9-11-2001.
6. **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. Because uninsured people tend to wait, understandably, until they are very sick to get health care, the cost of caring for them tends to be higher than if the state had provided coverage for them to begin with. For every \$1 Michigan spends on Medicaid, the federal government sends an additional \$1.31 to the state. So, for every \$1 we cut from Medicaid, Michigan loses \$1.31 in federal funding.

7. **Michigan's budget problems are largely due to tax cuts, not economic problems.** State government today takes a far smaller piece of each Michigan family's budget than in 2000. That year, state government expenditures were right at the Headlee constitutional limitation, which says the state cannot spend more than 9.49 percent of the state's personal income. Today, we are \$4.6 billion below that limit, thanks to tax cuts, and we are spending 7.9 percent of the state's personal income on state government. Even with the weakening economy, if we were simply investing the same percentage of our personal budget on state schools, colleges, police and fire protection and health care as we did in 2000, we wouldn't have a state budget problem.
8. **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).
9. **Michigan state government today is in many ways smaller than 10 years ago.** Today state government has 52,259 employees. In 2000, under Gov. John Engler, we had 61,493 employees. We have fewer workers today than in 1978. Other than prison guards, the number of state employees has plummeted in the last decade. In 2000, we had 17,652 correction employees and 43,841 other workers. Today we have 16,446 correction employees and 35,813 other workers.
10. **Michigan citizens believe investment is the key to economic growth.** A recent study conducted for the Michigan Fiscal Responsibility Project found 61% of respondents agreeing that after four years of cuts to police, fire, roads, higher education and health care, we can't afford to cut taxes more.

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