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Myths about state budget deter Michigan's progress

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BY Michael A. Boulus, Daniel Gilmartin and Kyle Caldwell

It's time to bust some myths about the state budget.

Myth: Personal income is falling in Michigan, so the state budget should fall, too.

Fact: Since 2001, Michigan personal income has increased by 19.3%. In that same time, the state's spending from state taxes and fees has increased by just 10% -- even after last year's tax increases.

Myth: State government is taking more and more out of our pockets.

Fact: In the 2000-01 fiscal year, state taxes and fees took 9.49 cents of every dollar of income in Michigan. For the 2007-08 fiscal year, that amount is 8 cents.

Myth: All areas of spending are growing too fast, and need to be cut across the board.

Fact: Since the 2000-01 fiscal year, state spending in every major area except community health (which overwhelmingly is Medicaid) and prisons has increased at less than the rate of inflation, which was 17.4% from 2001 through the estimated figure for 2008. In fact, the State of Michigan has cut spending on its universities by 10.5% and revenue sharing for local communities by 31%.

Meanwhile, community health spending is up 63%; prison spending is up 24%.

These facts come from a new analysis of the state budget prepared by the Michigan Fiscal Responsibility Project based on data from the Senate Fiscal Agency. The Project is a group dedicated to delivering, to policymakers and the public, facts and perspective on the state budget. Many economic development experts say our own negativity, spurred in part by misguided beliefs that state spending is "out of control," is a major detrimentto encouraging investment in Michigan.

The Michigan Fiscal Responsibility Project offers state policymakers some recommendations:

• Look seriously at real spending reforms. Various state business groups, such as the Michigan Manufacturers Association and the Detroit and Grand Rapids chambers of commerce, are examining ways to become more efficient.

• Recommendations for tax cuts by anybody should be accompanied by proposed spending cuts. We should also review tax credits and exemptions, to see which do their job, and which are only the legacy of effective lobbying.

• Recognize areas that have been cut deeply. If Michigan is to prepare, attract and retain talented individuals, it doesn't make sense to keep cutting universities and money that would go to developed communities vital to maintaining the quality of life that educated people demand and Michigan needs to prosper.

For details about the budget analysis, visit www.mitaxtruth.com.

***MICHAEL A. BOULOS** is executive director of the Presidents Council, State Universities of Michigan; **DANIEL GILMARTIN** is executive director, Michigan Municipal League; **KYLE CALDWELL** is president and CEO, Michigan Nonprofit Association. Write to them in care of the Free Press Editorial Page, 615 W. Lafayette, Detroit, MI 48226 or at oped@freepress.com.*