



An Outline For Fixing Michigan's Structural Deficit and Saving Critical Services

For over a decade Michigan has attempted to cut its way out of budget deficits and implemented one-time, short-term fixes as 'solutions' to a growing structural fiscal crisis. Now, our state is trying to operate at 1971 levels at a time when unemployment rates continue to rise and more and more Michigan citizens and businesses rely upon government services; meanwhile, state resources are more than \$7 billion below the Headlee Amendment limit on state revenues—a conservative estimate for state operations set in 1978 by the voters.

These decisions have endangered critical services, like police and fire protection, eroded the social safety net for Michigan's most vulnerable citizens—including children, the elderly and disabled, weakened our K-12 education system, eroded environmental protections, and endangered public health and safety.

- Since September 11, 2001, funding for police and fire protections has been reduced by \$3 billion—tacking 1,800 police officers and 2,400 firefighters off the street, reducing response times while endangering lives and displacing families.
- School bus safety inspections are about to be eliminated—endangering children across the state.
- School districts have been told to 'budget for pain' as the Senate proposes \$413 million in cuts to K-12 education—a move that would cut teachers, increase classroom sizes and reduce the quality of education.
- Since 2001, Michigan has reduced higher education funding per student by 17.8%, increasing average tuition costs by nearly 55% and reducing available financial aid, putting college out of reach for many families and ranking Michigan last in higher education funding. Meanwhile, Senate proposes elimination of Michigan Promise Grants and 50% reduction in the Competitive Scholarship Program for FY 09-10.
- Proposed FY 09-10 Community Health budget reductions of 25% will further impact staffing levels and resources to provide immunizations and infectious disease control, endangering everyone's health and our ability to manage a statewide pandemic.
- Environmental protections have been reduced by nearly 60%—eliminating positions that monitor beaches and drinking water.
- Senior citizen programs, like meals-on-wheels, have seen drastic cuts limiting the numbers served, while senior healthcare programs have been cut or eliminated, including home-care, hospice and dental care.

- To save on overall corrections costs, the state has ordered correctional facilities closed, while mandating early release of prisoners—endangering local communities and public safety.

Michigan cannot continue on this destructive path. The cuts and one-time fixes of the past, along with cuts currently being considered, will only make us weaker as a state and endanger our future—making our state less attractive to future employers and the workforce of the 21st Century. We need to invest to protect critical services like fire and police, but also to help build new businesses, create jobs and make our workers the best trained in the world. If we don't, Michigan will not keep up and will fall further behind.

A BETTER MICHIGAN FUTURE

Today, Michigan faces another \$3 billion deficit; this problem will only grow deeper for future years if bold, immediate changes do not occur to address the growing structural crisis.

We need a budget that is fiscally responsible, supports jobs and strengthens the economy, helps struggling families and prepares our state for the future. As outlined below, we need to implement meaningful reforms and tax modernizations that address our long-term structural problem in order to secure a better Michigan future.

A MORE TRANSPARENT AND ACCOUNTABLE GOVERNMENT

Meaningful reforms must be enacted to change the way government operates and ensure we get the most for our dollars and that government operates in a transparent and accountable fashion. Enacting these reforms institutionalizes a new approach and relays to Michigan citizens that our state government is prepared to permanently change its ways.

- Conduct performance audits on government contracts and departments for efficiencies—ensuring Michigan taxpayers are getting the most value for their dollar.
 - Eliminate tax incentives for companies failing to create and retain jobs and close tax loopholes, while requiring yearly performance reviews for all remaining tax credits and incentives. This will save our state over \$600 Million per year, with increased savings in the following years.
 - Make government contracts more accessible through a centralized, online database for citizen review.
 - Where possible, consolidate services and bulk purchasing to maximize cost savings.
 - Require elected officials to publicly disclose all of their financial assets and ban them from voting on legislation from which they could financially benefit.
 - Enact reforms to crack down on pay-to-play politics and no-bid contracts.
 - End lifetime healthcare and other benefits for lawmakers
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A MODERNIZED AND FAIR TAX SYSTEM

According to economic experts, Michigan struggles due to an antiquated tax system that relies heavily upon the taxation of shrinking sectors of our economy thereby are placing an undue burden on the backs of Michigan's middle-class. We must modernize our tax system to make the system fair for business and individuals, while capitalizing on putting money back in the hands of consumers and paying for the services we desire. In order to accomplish this, Michigan must:

- Reform our tax and fee structure in a way that reduces federal tax liability for Michigan citizens and ends our status as a 'donor state'.
- Implement a graduated income tax—securing a tax cut for up to 90% of Michigan citizens—by adjusting our tax base and more fairly distributing the tax burden. The legislature must act immediately to put this option before the voters.
- Expand the state's sales tax to include luxury and non-essential services, which would generate as much as \$1.65 billion in new revenue for the state, with growth potential as the state's economy rebounds. This expansion would not include business-to-business, healthcare, legal, or childcare services.
- Reform Michigan's tax code to enable collection of taxes on estates over \$2 million by de-linking from the Federal Estate Tax—generating \$160 million per year in revenue for our state.

(The following organizations have signed on to the campaign to date:

AFL-CIO

America Federation of Teachers/Michigan Federation of Teachers

The Arc Michigan

Citizens for Better Care

Common Cause

Global Behavior Education

Michigan AFSCME Council 25

Michigan Association of Pupil Transportation

Michigan Citizen Action

Michigan Council on Crime and Delinquency

Michigan Education Association

Michigan Environmental Council

Michigan League for Human Services

Michigan Nurses Association

Michigan Primary Care Association

Michigan Professional Firefighters Association

Michigan State Employees Association-AFSCME Local 5

Middle Cities

PHI of Michigan

Pride at Work-Michigan

Progress Michigan
School Community Health Alliance
Small and Rural Schools
United Auto Workers Michigan CAP
Unitarian Universalist Social Justice Network
Van Buren Legislative Consortium)

