

# *Reforming Michigan's Budget and Taxation System*

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## I. Where we Are

- **Employment:** Between 2001 and 2010 Michigan lost nearly 850,000 Jobs.
- **Income:** Relative to U.S. Personal Income, Michigan ranked 12<sup>th</sup> highest in 1970, 15<sup>th</sup> highest in 1980, 18<sup>th</sup> highest in 2000 and 37<sup>th</sup> highest in 2009.

## II. What Has the State Government Done?

- **Cut Taxes:** Michigan is the only state with a general fund revenue decline between FY 2000 and FY 2009, a 25% decline. Tax reductions have taken two forms: *Reductions in tax rates*, *Increases in tax loopholes*. In 2000 Michigan revenue as a percent of personal income was 8%. In 2010 it was 7%. The Headlee Revenue Limit in the Michigan Constitution is 9.5%. In FY 2009-10 Michigan government was estimated to be operating at \$8.8 billion under the constitutional cap.
- **Limited/Cut Expenditures – Programs and Personnel:** Between 2001 and 2009 Michigan State government expenditures have had the lowest growth of all states. Michigan ranks 50<sup>th</sup> with a percentage growth rate of -13%. Michigan has cut state and local government employees and in 2009 ranked 48<sup>th</sup> among the states in terms of government employees per 10,000 population. The Pew Center Survey of the States found Michigan the 4<sup>th</sup> best managed state during economic crisis.

## III. What Should We Do Now?

- **Wrong Agenda:** Policymakers, pundits, media are talking about the wrong thing - what can we cut?
- **Right Agenda:** What kind of state and what kind of government do we want in Michigan?
- **Government services = taxes:** Our goal must be to create a tax system that assures we have stable, fair and adequate revenues to pay for the services we need and want.
- **A Better Michigan Future (ABMF):** is a coalition that has put together a program to assure a stable, fair and adequate revenue system.
  - ✓ Close tax loopholes
  - ✓ Implement a graduated income tax.
  - ✓ Audit government contracts
  - ✓ Expand the sales tax

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