



MICHIGAN REPORT

MACKINAC CENTER PROPOSES CUTS TO COVER TAX INCREASES

The state could repeal all of the latest tax increases and still balance the budget under a proposed list of cuts unveiled Thursday by the Mackinac Center for Public Policy.

The group offered 55 cuts that would total \$1.358 billion, compiled from the cuts recommended by Senate Majority Leader Mike Bishop (R-Rochester) and an earlier list of cuts proposed by the free market think-tank.

“The budget deal struck by the Michigan Legislature in the wee hours of October 1, 2007, represents both bad policy and bad timing,” said Center President Lawrence Reed. “This projected \$1.358 billion tax hike for fiscal 2007-2008 would be difficult in a robust climate, but it is much worse in a state that’s in the grip of a one-state recession.”

The largest area of cuts would be for the School Aid Fund: \$286.3 million. Among those cuts would be eliminating a proposed 1 percent increase in the foundation grant (\$115.9 million), eliminating money for declining enrollment districts (\$20 million) and eliminating the so-called section 20j payments to the highest-spending districts (\$36 million).

For the Department of Corrections, the group has recommended \$136 million in cuts, including most of Governor Jennifer Granholm’s proposed sentencing reforms (\$69 million) and closing three

prisons (\$37.6 million).

In the Department of Human Services, the group would save \$135.7 million by increasing welfare-to-work sanctions (\$57.1 million) and cutting childcare subsidies (\$47.2 million), among other changes.

Other proposed cuts include the funding increase for universities (\$27.5 million), Medicaid coverage for caretaker relatives (\$25.6 million), 20 percent of transit operating subsidies (\$32.4 million) and half of secondary road patrols (\$7 million). The group also recommends elimination of the 21st Century Jobs Fund (\$75 million) and some other economic development subsidies and programs.

While some of the proposals involve non-general fund spending, Jack McHugh, legislative director for the Center, said all of those programs would allow their current funding to be moved to the general fund.

While not ruling out any of the proposals as part of the effort to make up the remaining \$400 million shortfall in the current budget, Granholm press secretary Liz Boyd said the governor would not support implementing the whole package of proposed cuts.

“Republican and Democratic lawmakers have already unanimously rejected a cuts-only solution to the budget crisis,” she said.