



The Worst Legislature in Michigan History?

By Jack McHugh

Summary

Higher taxes, more regulation and overspent budgets could lead observers to view the current Michigan Legislature as the state's worst ever.

Main Text Word Count: 684

One way to gauge the merit of a specific state Legislature is to assess whether its work favors the politically well-connected at the expense of everyone else. By this measure, Michigan Legislatures have experienced varying degrees of success. Longtime observers may recall the tax-raising 1983 Legislature or the 1967 fathers of the state income tax as the worst ever. But a relentless string of destructive policy initiatives must rank the current Legislature right down with those classics. Here's a scorecard:

Spring 2007: Borrow-and-Spend

The Legislature papers over an \$802 million gap between desired spending and expected revenue with some \$400 million from a sneaky form of (supposedly unconstitutional) deficit financing, shortchanging pension contributions, raiding so-called "restricted funds" and pushing disbursements into the next year.

Summer 2007: Meet the New Boss . . . (Michigan Business Tax)

The burdensome and complex Single Business Tax is replaced with an equally burdensome and complex Michigan Business Tax. The main component is a pernicious gross receipts tax that, while promising "stable" revenue for the government, is widely recognized as being intrinsically unfair and economically destructive.

Fall 2007: Tax-and-Spend Part I

The Legislature imposes \$1.4 billion in business and income tax hikes on a state economy already in near-freefall.

Fall 2007: Tax-and-Spend Part II

The Legislature spends all that new money in a budget that increases state spending by some \$900 million and includes almost no real reforms.

Spring 2008: Feed the Wolves?

Having looked out for Number One (themselves, government employees, status quo government operations), the Legislature looks to feed the largest state "rent seekers" (businesses seeking wealth through exclusive legal privileges):

Blue Cross Blue Shield of Michigan – House-passed legislation would

continued on back



In the midst of Michigan's continued economic downturn, the Michigan Legislature has made several decisions exacerbating the situation.

create a uniquely absurd system in which the state's "health insurer of last resort" for high-risk customers. The nonprofit BCBS — which fills this role in return for some \$100 million in tax benefits — could also collect fees from competing for-profit insurers to pay for those high-risk customers. It amounts to a "double dip" for BCBS, which has contributed to every single sitting legislator and already controls 70 percent of the state's health insurance market.

Commonwealth Edison and Consumers Power – A 2000 law partially removed the monopoly privileges of the state's dominant electric utilities. Although the reform (and the lower commercial rates it created) was mostly gutted by a 2004 Public Service Commission ruling, the old monopolists hope to completely finish off the 2000 law. So their legislative allies have attached that to massive (if phony and impossible) "renewable energy" mandates the political establishment is promoting to cater to middle class "green guilt" and global warming fears.

If passed, these two special-interest giveaways will make Michigan even less economically competitive, leading to even less employment, lower incomes and reduced property values.

Spring 2008: Increase Arbitrary DEQ Power?

The Legislature may be poised to enact a major expansion of Department of Environmental Quality regulatory power in the area of groundwater use. Passage would represent a major coup for radical environmentalists, who realize that while no "groundwater shortage" exists here, there's no greater tool for stopping future development than to control access to water.

Spring 2008: Corporate Welfare on Steroids

Several unprecedented expansions of discriminatory, targeted business tax breaks are enacted. These failed policies will see Michigan taxpayers actually writing huge checks to politically "sexy" enterprises favored by political elites. It's reported that the "cost per job" of one of the measures will be some \$900,000.

Is there anything good?

Legislation was passed forcing disclosures from the MEA teachers union's money machine — its MESSA health insurance subsidiary — that will enable competitive bidding and lower prices on school employee health coverage. MESSA is stonewalling, so it's unclear whether the promise will be realized, but credit is still due for bringing about this overdue reform.

Also, the electricity competition repeal package does include a provision to end the subsidies that business customers pay to residential customers, which will at least lessen the measure's economic destructiveness. But these and a few more modest reforms are thin gruel compared to the hearty stew of bad public policy this Legislature has already served up.

#####

Jack McHugh is the senior legislative analyst for the Mackinac Center for Public Policy, a research and educational institute headquartered in Midland, Mich. Permission to reprint in whole or in part is hereby granted, provided that the authors and the Center are properly cited.

These failed policies will see Michigan taxpayers actually writing huge checks to politically "sexy" enterprises favored by political elites.



Attention

Editors and Producers

Viewpoint commentaries are provided for reprint in newspapers and other publications. Authors are available for print or broadcast interviews. Electronic text is available at www.mackinac.org. Please contact:

Michael D. Jahr
Director of Communications
140 West Main Street
P.O. Box 568
Midland, Mich. 48640

Phone: 989-631-0900
Fax: 989-631-0964
www.mackinac.org
Jahr@mackinac.org