



Dear Tax Raisers: Please Tell Us Where to Cut

By Michael D. LaFaive

Summary

If the governor and Legislature insist on taking more money from families to solve the state's self-created overspending crisis, they should at least tell those families where to trim the family budget.

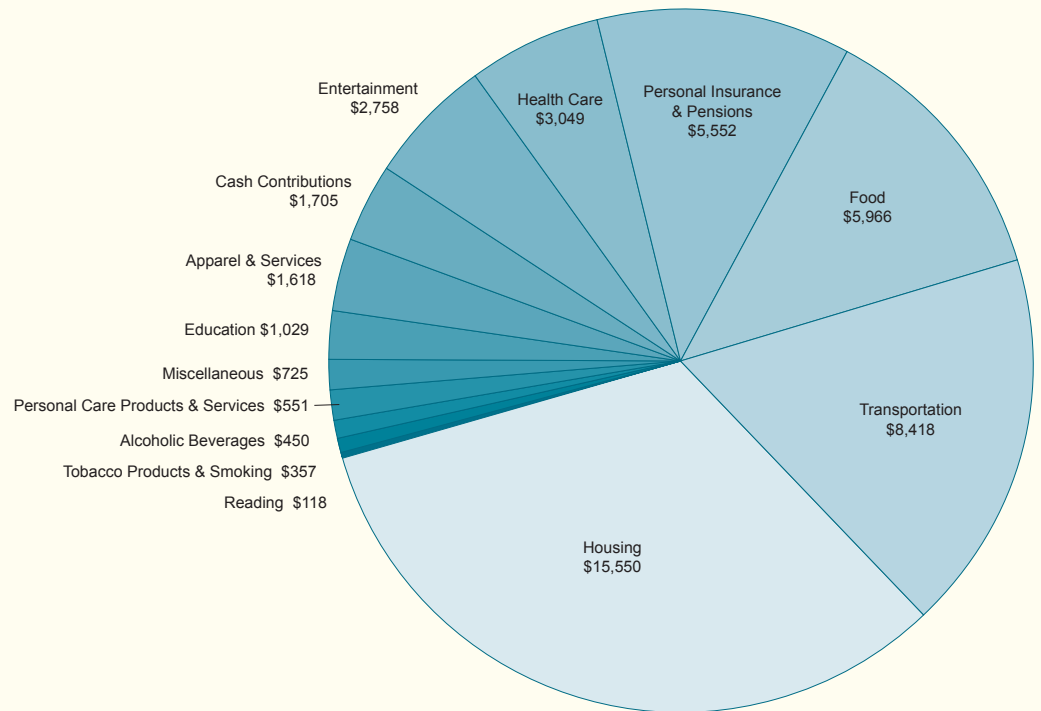
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Although Michigan's fiscal 2010 budget requires no new taxes, Gov. Jennifer Granholm nevertheless has been trying to gin up support for a \$600 million tax hike. This would be on top of the \$1.4 billion tax hike she orchestrated in 2007.

Since that tax increase, Michigan's unemployment rate has more than doubled. If the governor and Legislature insist on taking more money from families at a time like this in order to solve the state's self-created overspending crisis, they should at least tell those families where to trim their budgets.

To help policymakers with this decision, the graphic below shows the median budget of the typical Midwestern individual or family, according to the federal government.

Spending by a Typical Midwestern Individual or Family



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So please help us, Madame Governor and Honorable Legislators. Where exactly should we diminish our own expenditures to accommodate your needs? Should we cut back on health care for the kids? Consume less

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food or clothing? Remove ourselves to cheaper homes and apartments? Eat out less? Take in fewer of the Hollywood films we're subsidizing to the tune of \$100 million or more a year?

No doubt tax-hike proponents will point to the need for tax revenues to pay for core government functions, such as police protection, yet the Mackinac Center and others have identified countless examples of how to provide services at a lower cost.

Consider two examples. Mackinac Center analysts have recommended devolving state police road patrols to county sheriffs, who can do the job for less, and financing the sheriffs' work. We estimate \$65 million in savings from this shift, with no decrease in service levels or quality.

Another example involves rationalizing the unusually generous noncash compensation — such as health insurance benefits — received by government employees. The Mackinac Center has published estimates showing that the state could save \$5.9 billion through 2021 (\$106 million in the first year) by providing health benefits to the state's 50,000 civil service employees through consumer-directed health savings accounts and high-deductible insurance. If public school employees were pulled into a similar health plan, savings would amount to an additional \$451 million in the first year and \$26 billion through 2021. All of these potential savings could accrue without eliminating a single program.

In fact, before reaching deeper into taxpayer pockets, state and local government should eliminate all nonessential spending, such as money for golf courses and state conference centers.

The politicians' itch to reach deeper into people's pockets to prop up the state's unsustainable bureaucratic machine is unnecessary and unfair to the millions of taxpayers here who struggle daily to keep their own budgets in balance. Public servants who fail to recognize this truth are not worthy of the name.

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Michael D. LaFaive is director of the Morey Fiscal Policy Initiative at 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. (For more reform ideas, see the Mackinac Center's "101 Ideas to Revitalize Michigan," by Senior Legislative Analyst Jack McHugh, at www.mackinac.org/10154.)

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