



The 12 Fiscal Policy Days of Christmas

By Michael D. LaFaive

Summary

Looking toward 2015, here are 12 policy suggestions the governor and Legislature should pursue.

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As 2014 draws to a close, Gov. Snyder and legislators are no doubt beginning to think about next year's budget and policy priorities. In recognition of the upcoming holiday season, here are 12 policy changes for Christmas and New Year. (Note: The holiday matters less to us than the sound policy it may inspire. These changes could happen at Seinfeld's "Festivus" or Presidents' Day for all we care).

1. Cut the personal income tax to at least 3.9 percent, if not 3.75 percent.

Recall that Gov. Granholm and the Legislature promised in 2007 that a "temporary" personal income tax hike would be rolled back starting in 2011. The rollback was delayed and after a 0.1 percent cut was scrapped altogether.

2. Cut state spending by at least \$1.1 billion.

I have submitted 35 ideas worth \$2.1 billion in reform ideas to legislators this year. Surely they could adopt or adapt some of them.

3. Mandate that all public school employees join state workers and adopt 401(k)-style pensions.

The current Michigan Public School Employees Retirement System is currently underfunded to the tune of \$25.8 billion. It must be closed. Doing so for new state employees in 1997 prevented accrual of \$2.3 to \$4.3 billion in unfunded liabilities by 2010.

4. Mandate that government employees' non-salary benefits be no more generous than the average of their private-sector counterparts. Fully phased in this could save state and local governments \$5.8 billion per year.

5. Repeal Michigan's prevailing wage statute.

Prevailing wage statutes mandate higher than market wages on government-funded projects such as roads and schools. This mandate dramatically increases costs. Last year the Anderson Economic Group estimated that repealing it may save \$224 million in school construction costs alone. With some lawmakers wanting \$1 billion-plus more for roads, this is an ideal time to repeal this wasteful statute.

6. Adopt a Taxpayer Bill of Rights that strictly limits growth in state government spending to changes in inflation plus population.

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This change — which would preferably be made to the Constitution by a vote of the people — would prevent politicians from reaching ever deeper into our pockets.

7. Repeal prohibition against education tax credits; adopt Universal Tuition Tax Credit.

This would require a vote of the people, but the Legislature could put it on the ballot. The UTTC, created by Center analysts, would allow any business or person to take tax credits up to half of the state's public school foundation allowance against their state tax burden for funding school scholarships. A fully phased in the UTTC could save more than \$600 million annually.

8. Reform Michigan's alcohol control system to remove anti-competitive stipulations that reward crony capitalists.

A handful of Michigan families enjoy protection from competition for beer and wine sales in numerous ways outlined previously by Center experts. One state "post and hold" rule may raise the cost of beer and wine nationwide by between 6.4 percent and 30 percent according to one study.

9. Pursue greater competitive contracting and higher performance standards by contractors on road repair.

10. Reform prison sentencing guidelines, among other prison-related reform ideas. Several groups in Michigan have suggested \$500 million in possible savings.

11. Sell unnecessary assets when possible. Before the Great Recession Mackinac Center analysts suggested the state-owned Ralph. A. MacMullan Conference Center could be sold for as much as \$10 million.

12. Review all new and expanded fees (\$82.6 million for fiscal 2014) imposed on people and business by the previous Legislature using cost accounting.

Were recent hikes justified by the actual cost of providing a service or were they simply tax hikes by a different name? If the latter, recent fee hikes should be repealed or lowered.

Adopting these 12 ideas would surely make for a happy policy New Year — or Festivus — in 2015.

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