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Michigan spending is unsustainable

Corporate welfare gets a higher priority than road maintenance or tax relief

By James M. Hohman | July 2023

Michigan legislators approved a budget that spends \$47.0 billion in revenue from the state's taxes and fees. State taxes and fees are not going to generate that much in revenue. Legislators think that the state income tax is going to increase starting in January, and they authorized spending based on that bad assumption.

The state income tax decreased from 4.25% to 4.05% earlier this year, thanks to a 2015 law that required income tax cuts if revenue increased much faster than inflation. It did, and the governor reluctantly agreed to lower the tax after she was unsuccessful in circumventing the required decrease.

However, Attorney General Dana Nessel opined that the tax would pop back up to 4.25% starting in January based on a tortured reading of the 2015 law.

The law is clear and the opinion is questionable. It would have been better for legislators to have practiced some restraint and kept some money in reserve in case that opinion was challenged.

Unfortunately, legislators, led by Democratic majorities, did not.

The money from the income tax cut is not a huge part of the budget. It would have let residents save around \$500 million for the upcoming fiscal year, just 1.1% of the budget. Yet legislators budgeted to spend that extra money instead of setting it aside.

Saving this money should have been a priority for state legislators. But they prioritized other things.

Even before the budget was approved, lawmakers had already authorized \$2.9 billion in new business subsidies. These are ineffective at creating jobs, an unfair and expensive way to do business. Yet subsidies got a much higher priority from legislators than letting people keep more of their own money.

Rather than letting people keep more of what they earn, legislators chose to spend money in their districts. Legislators may have set a new record for pork. There is \$1.5 billion in spending directed to particular projects in the budget.

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The problem with district projects is that they are explicitly about benefiting a legislator's district rather than the public as a whole. Lawmakers could set up grant programs for infrastructure or for local government buildings, or for any of the pork-barrel spending in the budget. They could establish criteria and have people apply for grants, with administrators selecting the best proposals for funding. Pork spending isn't that. It's an explicit reward based on political preferences, not established criteria.

Much of this spending goes to local governments who can already build these projects if they choose. The nonprofits that got funding in the budget ought to raise funds from voluntary supporters instead of taxpayers.

Budgets are statements of priorities. Business subsidies and district projects are a much bigger priority to state legislators than letting people keep more of their own money.

They also received higher priority than keeping state and local roads in good working order. There's less road funding in this budget from the road-funding governor, and this time Whitmer

can't blame Republicans for not giving her what she wanted. There was plenty of money for other priorities, but not for roads.

Legislators shouldn't spend every dollar that they have available, let alone more than they're entitled to. Practicing restraint pays dividends. It allows legislators to be flexible in case new needs arise or emergencies happen. Spending less on current services can also free up cash to pay down the state's debts. Lawmakers accidentally made public school employees the state's largest creditors, and this is bad for teachers and taxpayers alike.

Restraint keeps the budget from growing to unsustainable levels. And unfortunately, restraint is a virtue that was not practiced in the first budget approved by the state's new Democratic majority legislators.

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