



Modernize Michigan's Outdated Revenue Structure

2010 Michigan Primary Care Association Legislative Priorities

ISSUE:

For over a decade Michigan has attempted to cut its way out of budget deficits and has implemented one-time, short-term fixes as 'solutions' to a growing structural fiscal crisis. Now our state is trying to operate at 1971 levels at a time when unemployment rates continue to rise and more Michigan residents and businesses rely on government services. Meanwhile, state resources are more than \$7 billion below the Headlee Amendment limit on state revenues.

RECOMMENDED ACTION:

Michigan residents must decide what quality of life we want for future generations. Continuing to take a cut-only approach to address the budget deficit is short sighted and compromises the future outlook for our state for many years to come. Michigan cannot continue on this destructive path.

The cuts and one-time fixes of the past, along with recent cuts, will only make us weaker as a state and endanger our future—making Michigan less attractive to future employers and the workforce of the 21st Century. We need to invest to protect critical services and to help build new businesses, create jobs, and make our workers the best trained in the world. If we don't, Michigan will not keep up and will fall further behind the rest of the nation.

Michigan Primary Care Association, along with our partner organizations in the coalition to secure a "Better Future for Michigan", supports the following platform:

- Implement a graduated income tax—securing a tax cut for up to 90% of Michigan residents—by adjusting our tax base and more fairly distributing the tax burden. The legislature must act immediately to put this option before the voters.
- Expand the state's sales tax to include luxury and non-essential services, which would generate as much as \$1.65 billion in new revenue for the state, with growth potential as the state's economy rebounds. This expansion would not include business-to-business, health care, legal, or childcare services.
- Reform Michigan's tax code to enable collection of taxes on estates over \$2 million by de-linking from the Federal Estate Tax, generating \$160 million per year in revenue for our state.
- Eliminate tax incentives for companies failing to create and retain jobs and close tax loopholes, while requiring yearly performance reviews for all remaining tax credits and incentives. This will save our state over \$600 million per year, with increased savings in the following years.

BACKGROUND:

Predictions are that Michigan will face another deficit of \$1-\$2 billion in fiscal year 2011. This structural crisis will continue to escalate in future years if bold, immediate changes are not implemented today. Michigan needs a budget that is fiscally responsible, supports jobs, strengthens the economy, helps struggling families, and prepares our state for the future. We need to modernize our tax structure to address our long-term structural problem in order to secure a better Michigan future.





**FOR MORE INFORMATION
PLEASE CONTACT:**

Kim Sibilsky

Executive Director
517.381.8000 x211
ksibilsky@mpca.net

Doug Paterson

Director of State Policy
517.381.8000 x209
dpaterson@mpca.net

DISCUSSION:

Recent budget cuts have endangered critical services and eroded the social safety net for Michigan's most vulnerable residents—including children, the elderly, and the disabled. The cuts have weakened Michigan's K-12 education system, compromised environmental protections, and endangered public health and safety. For example:

- The Department of Community Health budget was cut by 25% with major reductions to mental health, public health, and the Healthy Michigan Fund.
- Medicaid provider rates were cut 8%, likely leading to a reduction in the number of providers willing to serve Medicaid beneficiaries and diminishing the capacity for specialty services.
- Senior citizen programs, such as Meals-on-Wheels, have seen drastic cuts limiting the number served, while senior health care programs like home care and hospice have been cut or eliminated.
- Medicaid adult dental services were eliminated, placing many at risk for advanced dental disease leading to other health and serious medical complications and merely shifting cost to more expensive services in the long run.
- Since September 11, 2001, funding for police and fire protection has been reduced by \$3 billion, taking 1,800 police officers and 2,400 firefighters off the street, increasing response times, endangering lives, and displacing families.
- School bus safety inspections have been eliminated, endangering children across the state.
- School districts have been cut \$165 per pupil, a move that will reduce the number of teachers, increase classroom sizes, and compromise the quality of education.
- Since 2001, Michigan has reduced higher education funding per student by 17.8%, increasing average tuition costs by nearly 55% and reducing available financial aid, putting college out of reach for many families and ranking Michigan last in higher education funding. Michigan recently eliminated Promise Grants and reduced the Competitive Scholarship Program by 50%.
- To save on overall corrections costs, the state has ordered the closing of several correctional facilities while mandating early release of prisoners, potentially endangering local communities and public safety.

ABOUT MICHIGAN COMMUNITY HEALTH CENTERS:

For over 30 years, Michigan's Community, Migrant, HIV/AIDS and Homeless Health Centers have been delivering comprehensive primary care to the medically underserved communities of our state. Michigan's 32 Community Health Center organizations form an essential component of the state's safety net and provide comprehensive health care services at more than 160 different locations. These organizations are on the front lines of health care serving the most vulnerable populations in rural and inner city communities. Nearly 40% of Health Center patients are uninsured; two-thirds are of racial and ethnic minority groups; nearly 70% have family incomes at or below poverty level; and half live in rural areas. Community Health Centers provide high quality, comprehensive health care services to federally designated medically underserved areas/populations.



www.mpca.net
517.381.8000