

# State of change



Progressive Women's Alliance

Grand Rapids

May 18, 2011

# Day one: Gov. Snyder

“The reinvention  
of Michigan  
must leave no  
one behind”



# Snyder to-do list

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■ *Big cut in business tax*

■ *Get budget done early*

# 182 day goal: Promises

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- Measurement
- Transparency
- Tax simplification
- Don't pick winners, losers

# 182-day goal: Reality

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- MiDashboard launched
- Budget process dense, confusing
- Tax plans not simple
- Clear winners, losers in budget

# The big picture

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- \$1.7 billion *tax break* for businesses
- \$1.5 billion cut in services – many harmful cuts
- \$1.5 billion *increase* in income taxes

# Big tax shift

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- 86 percent drop in business taxes; 95,000 businesses won't have to file
- Most will see increased income taxes
- \$538 million in total new senior taxes, including \$343 in pension taxes
- Michigan business will contribute the smallest share of state revenues in the country

# Taxes and seniors

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- Michigan is very generous when it comes to senior tax preferences but...
- Any change should funnel revenue to services, such as Revenue Sharing, education and health care
- Governor's plan uses it to pay for business tax cuts

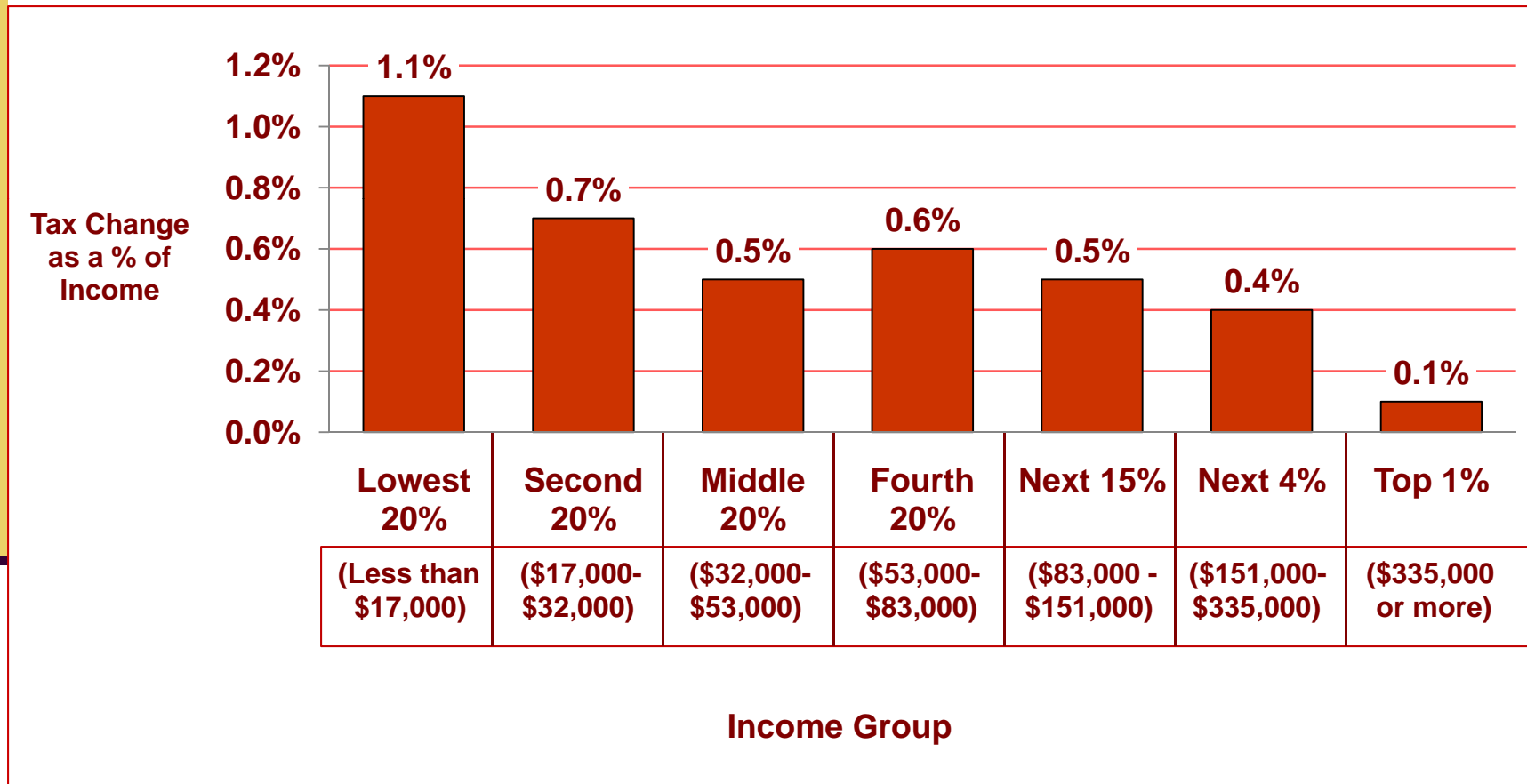


# Changes in income tax

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- Public pensions no longer exempt
- Freeze 4.35 percent
- Reduce personal exemptions
- End \$600 child deduction
- Limit Homestead Property Tax Credit
- Reduce Earned Income Tax Credit

# Tax plan hits poor families



Source: Institute on Taxation and Economic Policy, March 2011

# EITC: Keeping kids out of poverty



- EITC keeps 14,000 kids in working families out of poverty; helps 780,000 households
- Snyder budget originally eliminated it
- Compromise now at 6% (vs 20%)
- Reduced but important public policy tool still alive

## Even with the EITC at 20%

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- Families earning \$15,000 – \$32,000 pay 10.1% of income in state/local taxes
- Families earning \$54,000 – \$86,000 pay 9.4%
- Those over \$365,000 – just 5.6%



# Human services cuts

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- Family Independence Program-12,600 families cut
- 300 workers cut Department of Human Services
- Children's clothing allowance

# More cuts affecting vulnerable people

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- Reduce State Disability Assistance Program from \$269 to \$175 a month.
- Cut funding for child care providers
- Indigent burials limited to cremation of unclaimed bodies

# Health cuts

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- Healthy Michigan Fund cut: 2,600 low-income women would not receive breast and cervical cancer screening and 510 fewer low-income adults would receive colon cancer screening
- 10 percent cut to public health affecting immunizations, public water supply ...
- \$8.5 m. non-Medicaid mental health cuts



# Education/training cuts

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- \$269-\$470 per pupil cut pending
- Community colleges cut 0-15%
- Higher education cut 15-22%
- Proposal to completely eliminate adult ed nixed
- State funding for No Worker Left Behind cut

# Local services cut

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- Revenue sharing cut
- Impact on public safety, other local services
- 3,000 fewer public safety officers in Michigan than before 9-11

# Protected in the budget

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- Medicaid program
- Provider rates
- Optional services

# Bright spots

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- Unemployment down in every single county
- Medicaid protected
- EITC survives
- More revenue than predicted

# Solutions/alternatives

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- Rethink deep business cuts (\$1.7 billion is too much)
- Cut tax expenditures across the board
- Corrections spending in line with other Midwest states
- Graduated income tax
- Sales tax on services

# League's Road Map

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- Invest in human necessities
- Expand education and training for low-income parents
- Reinvest in higher education
- Commit to maternal and child well-being
- Protect and improve early childhood care and preschool
- Improve access to health care for low-income families

# Road Map continued

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- Make housing more affordable
- Increase access to transportation
- Modernize the Unemployment Insurance system
- Ensure that the minimum wage is adequate
- Protect the Earned Income Tax Credit
- Overhaul the tax system
- Seek and use federal funds
- Encourage policies that increase racial equity



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The Michigan League for Human Services is a state-level policy organization focused on the needs of Michigan's low-income families and individuals.

The League was founded in 1912 and is a private, nonprofit charitable organization.