

Quality isn't cheap, so let's expand sales tax to services

State must invest in creating above-average workers

Sharon Peters

No one aspires to be average. Parents don't dream of average educational and career success for their children. Michigan businesses don't seek out average workers.

They want the best. But a recent report published in Education Week says Michigan children -- the state's future work force -- have only "average" prospects for success given the state's economic conditions and educational investments among a series of other familial and social factors. Average.

As Gov. Jennifer Granholm and Michigan lawmakers face yet another budget shortfall, they must heed the warning sounded by this report: Michigan cannot become a premier state and rise out of its economic doldrums by creating average citizens.

Education funding, particularly on early education, must be increased. Countless scientific studies have demonstrated the necessity of stimulating brains from birth. We know that children who attend high-quality preschool programs are better prepared for kindergarten, perform better on math and reading achievement tests, are less likely to need special education services and are more likely to graduate from high school on time.

Granholm has helped spread this message. Now the state must provide the funding to do the work.

Lawmakers took a step in the right direction last year by approving an extra \$7.7 million for early education. Even with that boost, overall state funding for preschool and school readiness is down \$50 million, or 34 percent, since 2001.

And the state faces another hefty budget deficit this year that could exceed \$1 billion for the current and upcoming fiscal years. Rumors already are swirling about potential cuts to education and human services, although Granholm has vowed not to cut education aid.

Frankly, Michigan can't afford any more cuts. In the past four years, Granholm and legislators have struggled to resolve a cumulative \$3 billion budget hole. It has devastated support services for children and families at a time when they need it most.

Tax cuts help create deficit

But the economy that's hurting us all isn't alone responsible for the cuts. During the past decade, the Michigan Legislature has reduced taxes for some and thus has created a structural deficit.

Simply put: There isn't enough revenue to support the meager services now offered.

It's important that businesses pay their fair share; the burden must not fall too heavily on families and individuals. So replacing the \$2 billion taken in by the expiring Single Business Tax is necessary but insufficient. We must also raise revenue by modernizing Michigan's tax system to reflect our service-oriented society.

In the past 40 years, goods and services have switched roles in our economy. Consumers now spend 60 percent of their money on services, making that the biggest single area of our economy -- and the greatest loss in tax revenues estimated at about \$7.3 billion in 2004, according to the state Department of Treasury. The annual loss is almost as large as the amount collected by the sales tax.

Expanding sales tax pays off

Adding a few cents tax to things like dry cleaning, pet grooming, landscaping, and hair cuts won't unduly burden most consumers, especially if the expansion includes lowering the 6 percent tax as many have proposed. But it'll add up to billions of dollars for the state. The Granholm administration tags the estimated revenue at roughly \$1.5 billion a year even with exemptions for some necessities, such as food and medical care.

Granholm and Lt. Gov. John Cherry have mentioned the possibility of tax increases this year. And lawmakers, even some Republicans, appear receptive to exploring the idea of expanding the sales tax to services. Granholm is proposing extending a 2-cent sales tax to services. We hope they're brave enough to follow through.

Because to get the best, we must pay for it. Quality isn't cheap, and we shouldn't skimp on our children.

Sharon Claytor Peters is president and chief executive of Michigan's Children, a nonprofit advocacy organization for children and their families. She is a member of the governor's Council for Labor and Economic Growth and is a past president of the Lansing school board. E-mail comments to letters@detnews.com.

Sales tax proposal

Gov. Jennifer Granholm's tax plan to help balance the state budget would:

Create a two-penny sales tax on services such as haircuts, dry cleaning and lawn care. The current 6-penny sales tax applies to sales of physical products.

If put into law by June 1, the 2-cent tax would raise an estimated \$576 million in the current budget year and \$1.5 billion in the next fiscal year, which starts on Oct. 1.

A family of four making \$57,300 a year would pay \$65 a year more for currently untaxed services, according to Granholm administration projections.

Prescriptions, medical care, education and food costs would not be taxed.