

1115 South Pennsylvania Avenue, Suite 202  
Lansing, MI 48912  
517-487-5436

February 11, 2004

Honorable Jennifer Granholm  
Governor of Michigan  
George W. Romney Building  
111 South Capitol Avenue  
Lansing, MI 48933

Dear Governor Granholm:

As the Fiscal Year 2004-2005 budget process begins we want to express our very deep concern over the prospect of additional cuts in state spending in order to address the state's worsening structural deficit.

Program reductions since 2001 now total over \$2.5 billion and the adverse impacts of these reductions are evident across the state. Thousands of Michigan adults are without dental, podiatry, hearing and chiropractic services previously covered by Medicaid. College tuition is higher as a result of cuts in higher education. K-12 education programs have been reduced. Senior centers and library programs have been shut down, police and fire protection have been reduced and funding to local community agencies has been cut. State agencies are unable to deliver timely services, and necessary administrative and fiscal oversight of state programs is in jeopardy. Now, you and the legislature must craft a budget that addresses an additional revenue shortfall of nearly \$1 billion.

We believe that additional spending reductions are not the answer to the state's structural deficit. Since Fiscal Year 2000, Michigan's General Fund revenues have declined by almost 30 percent when adjusted for inflation. Unfortunately, the combination of spending reductions, one-time measures and only modest revenue enhancements that have been utilized to date have failed to reverse this trend.

Michigan cannot grow its way out of this fiscal crisis through an improved economy. Enacted tax cuts have had a permanent effect on the state's revenue generating capacity and even the significant growth predicted by economists will not make up for the double-digit inflation in Medicaid and Corrections costs and the loss of federal Medicaid funds.

In order to maintain critical state and local services and make necessary investments in the state's future, it is imperative that revenue solutions now be seriously considered in the budget process. Although the budget solutions to date have included some revenue enhancements, they have been very modest in relation to the size of the budget deficit. And, while it appears that there may be additional recommendations for revenue increases, these too, pale in comparison to the magnitude of the latest revenue shortfall.

Solutions are available that can ensure an adequate and stable revenue base in Michigan. We urge you to look seriously at all options. Many ideas have already been raised, such as expanding the sales tax to certain services, halting the July reduction in the income tax rate, decoupling from the federal estate tax, taxing internet purchases, adjusting the tax on beer and wine, taxing pollution, and ensuring that revenues captured through a Single Business Tax replacement are adequate and fair.

Michigan is not a high tax state. According to The Tax Foundation, Michigan's state and local tax burden as a percent of income is somewhat below the national average and significantly below the Midwest average, with Michigan ranking 29<sup>th</sup> among the states.

We believe that further program reductions are not sustainable if Michigan is to remain a desirable state in which to live and a competitive state in which to do business. We believe that we are now at a point in Michigan's ongoing fiscal crisis that the only responsible solutions are revenue solutions.

Albion Volunteer Service Organization  
All The World's A Stage  
American Federation of State, County and Municipal Employees  
American Humanics Nonprofit Program, Grand Valley State University  
American Red Cross, Alpena and Alcona Counties  
Berrien County Intermediate School District  
Catholic Caucus of Southeast Michigan  
Center for Civil Justice  
Child Abuse and Neglect Council of Saginaw County  
Child Abuse Prevention Services  
Child and Family Services, Capital Area  
Child and Family Services of Northeast Michigan, Alpena  
Child and Family Services-Northeast MI 4C  
Children's Charter of the Courts of Michigan  
Child's Hope, the Child Abuse Prevention Council of Out Wayne County  
Communities In Schools of Lenawee County  
Comstock Community Center  
Creative Spirit Center, Midland  
Disability Advocates of Kent County empowering independence  
DYNAMIS Consulting and Training  
Eagle Village, Inc.  
Emergency Shelter Services, Inc.  
Greater Kalamazoo United Way  
Hispanic American Council  
INTEGRA, East Lansing  
International Union of Operating Engineers  
Kirtland Community College  
Leaps and Bounds Family Services, Detroit

Macomb County Rotating Emergency Shelter Team  
Manistee County Volunteer Center  
MARO Employment and Training Association, Lansing  
Marquette-Alger Youth Foundation  
Michigan Association of Community Arts Agencies  
Michigan Chapter, International Association of Psychosocial Rehabilitation Services  
Michigan Corrections Organization  
Michigan Council on Crime and Delinquency  
Michigan Disability Rights Coalition  
Michigan Education Association  
Michigan Environmental Council  
Michigan Fair Budget Action Coalition  
Michigan Federation for Children and Families  
Michigan Federation of Teachers and School Related Personnel  
Michigan Interfaith Power and Light  
Michigan League for Human Services  
Michigan Nonprofit Association  
Michigan Nurses Association  
Michigan Organizing Project  
Michigan Primary Care Association  
Michigan Professional Firefighters Union  
Michigan Protection and Advocacy Services  
Michigan Speaks Up  
Michigan State AFL-CIO  
Michigan's Children  
Montmorency County Habitat for Humanity  
Muskegon Family Care  
Oakland County Welfare Rights  
Paraprofessional Healthcare Institute  
Poverty and Social Reform Institute  
Residential Opportunities, Inc., Kalamazoo  
S.B.'s Love Closet, Inc., Dimondale  
Service Employees International Union  
Solid Ground, Roseville  
The New Detroit Science Center  
UAW Local 6000  
United Way of Jackson County  
United Way of Northeast Michigan  
Volunteer Center of Greater Kalamazoo  
Volunteers of America MI  
Wisdom Institute for Teenage Mothers  
4C Child Care Unlimited, Flint

Bill Long, Member, Michigan Coalition on Children and Families  
Most Rev. Thomas J. Gumbleton, Auxiliary Bishop, Catholic Archdiocese of Detroit  
Glenn M. Simmington, Attorney  
Lynn Burdell, Director of Programs, Wayne Center, Detroit