

The attached letter was sent to all members of the Michigan Legislature

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February 11, 2004

Honorable «FirstName» «LastName»
Michigan State Senate
P.O. Box 30036
Lansing, MI 48909

Dear Senator «LastName»:

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, the legislature and the Governor 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 29th 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