

Doug Pratt

Michigan Education Association

MEA's Goals...

- To secure adequate, equitable funding for Michigan's public schools through a tax system that is fair, stable and sensible.
- To demonstrate that investing in public education has a far greater return to Michigan's economy than any other investment.
- To show that there is an inseparable link between investing in education and a healthy economy.

MEA

AEG/MEA tax incentive study findings

- “Enormous variation” in the effectiveness of Michigan’s tax incentives (only 2 of 8 programs reviewed had a high “relative” effectiveness).
- No proper, publicly available inventory of business tax incentives.
- No independent agency collects information or administers all programs.
- Approvals and reported effectiveness of programs is “deeply affected by self-interest.”
- There exists no comprehensive assessment of the effectiveness of Michigan’s tax incentive programs (at least not until this study).

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Full report available at www.mea.org/investing

Michigan's Film Incentives Program

One highly-touted tax incentive program that doesn't work according to the MEA/AEG study:

- Senate Fiscal Agency estimates in 2008-09, film incentives created \$203M in wages and \$339M in economic activity.
- After considering taxes that were abated, SFA estimates a net loss of \$99M for the state.
- Cost-per-job created is between \$40,000-50,000.

“... the state isn't just incentivizing the activity – it is actually paying for the activity.”

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Review incentives for effectiveness

“Some economists argue that a regular periodic evaluation of tax expenditures should become common practice.

Unlike fixed appropriations, tax expenditures are open-ended entitlements: if people or firms qualify for an exemption, they receive it.

In periods of recession, tax expenditures are rarely re-examined as budget cuts are typically focused around direct spending.

When the economy improves both direct spending and tax expenditures tend to increase as legislators can afford to be more generous.”

*State of Michigan Executive Budget
Robert J. Klein, State Treasurer*

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