



MICHIGAN'S DEFINING MOMENT



ACTION GROUP • NOVEMBER 17, 2009

BUDGET & TAX REFORM

What we'll do this morning:

- Diverse Expert Views on Spending/Taxing
- Real-Time Polling & Open Discussion
- Framing of Issues for 2010 Election

Follow along in Issue & Speaker Guides

TODAY'S PANELISTS

- Charles Ballard, MSU economist
- Rob Fowler, Small Business Association of Michigan
- Dan Gilmartin, Michigan Municipal League
- Sharon Parks, Michigan League for Human Services
- Doug Rothwell, Business Leaders for Michigan
- Doug Pratt, Michigan Education Association
- Richard Studley, Michigan Chamber of Commerce

“What’s your best vision for Michigan’s future and what kind of sustainable, long-term state taxing & spending plan best helps us get there?”

Michigan's Vital Signs

- Growing poorer
- Worst unemployment of our lifetimes
- Lagging the nation in educational attainment
- Average tax burden
- Average-to-poor business climate

(See pages 6-10 of Issue Guide for details.)

Michigan's Current Budget Priorities

(See pages 12-15 of the Issue Guide.)

– 7 Broad Priorities:

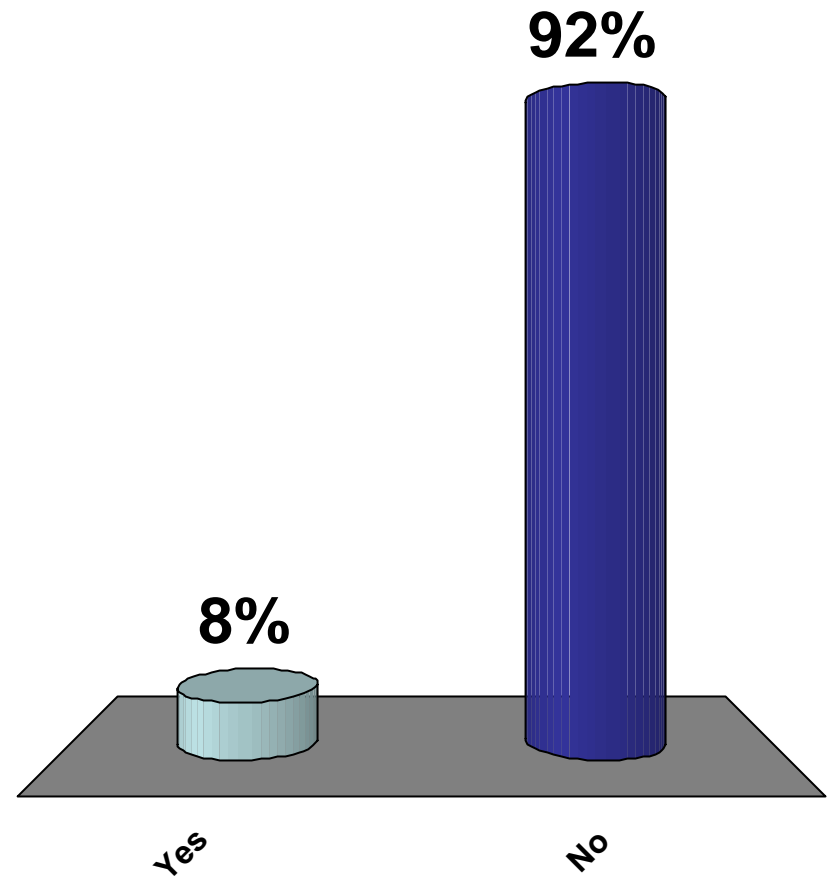
- Education (35% of total budget)
- Health & Human Services (38% of total budget)
- Public Safety & Corrections
- Transportation
- Environment/Recreation/Agriculture
- Revenue Sharing
- Other/General Government

– 2 views of recent trends:

- Since 1995, inflation-adjusted spending is up in most areas.
- Since 2000, general fund is down 30% (result is big spending cuts).

LIVE POLL: Does Michigan Have Its Budget Priorities in Order?

1. Yes
2. No



Open Discussion

- What's right about our priorities?
- What's wrong about our priorities?
- How do we best act on priorities in the future?

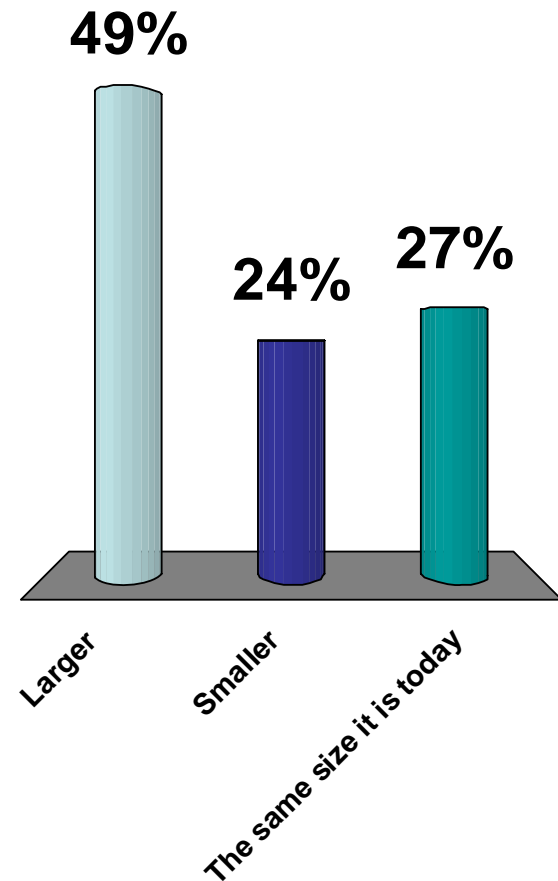
(Please raise your points or questions to panelists at the microphone.)

Michigan Budget Details

- K-12 Education (pages 16-17)
 - Essentially flat funding since 2000.
 - Benefits costs, decreasing enrollments, shrinking property tax base.
- Higher Education (pages 18-19)
 - University & Community College spending off 27 and 18 % respectively since 2000
 - High demand, tuition increases, reliance on student loans.
- Public Safety (pages 20-21)
 - Corrections: 2% of general fund in 1971; 21% today
 - Numbers of police agencies and officers are down.
- Quality of Life (pages 22-23)
 - Revenue sharing and environment suffered biggest cuts of all since 2000.
 - Both down 35 percent.
- Health & Human Services (pages 24-25)
 - Almost 40% of total state budget and general fund.
 - Big recent spending cuts.
 - 53 % growth in Medicaid caseload this decade.

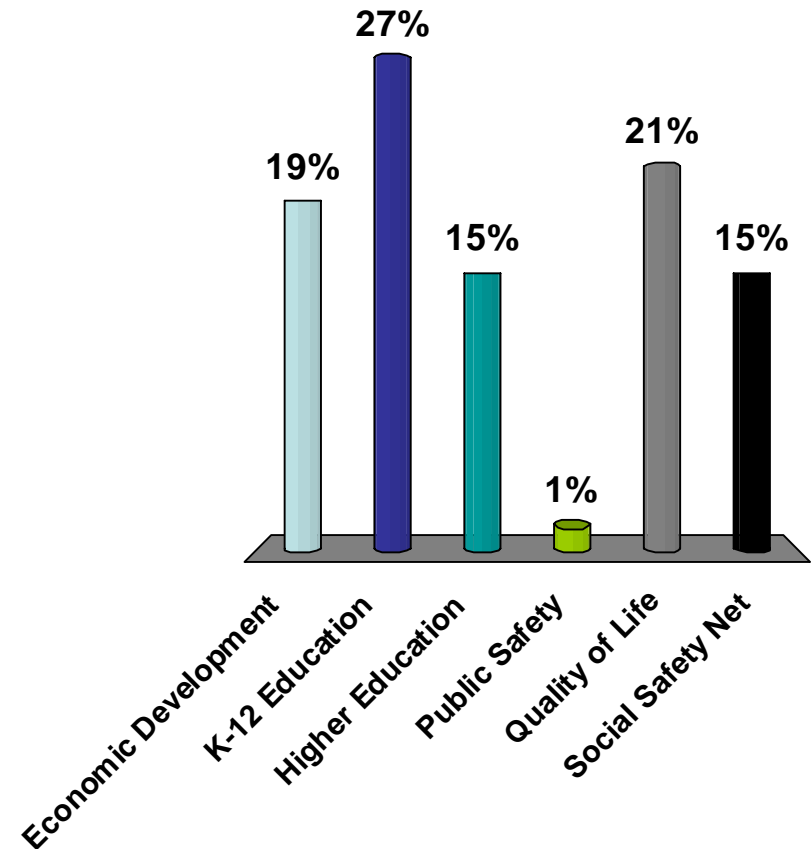
LIVE POLL: Should Michigan's Overall State Budget generally be...

1. Larger
2. Smaller
3. The same size it is today



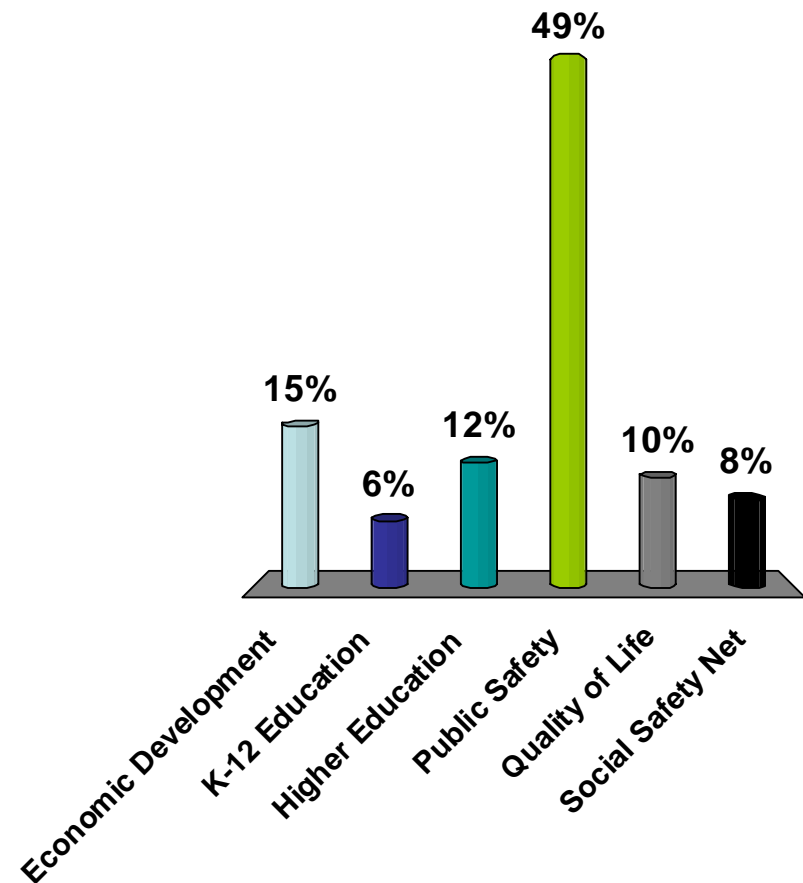
LIVE POLL: If you could increase spending in only one area, which would it be?

1. Economic Development
2. K-12 Education
3. Higher Education
4. Public Safety
5. Quality of Life
6. Social Safety Net



LIVE POLL: If you could decrease spending in only one area, which would it be?

1. Economic Development
2. K-12 Education
3. Higher Education
4. Public Safety
5. Quality of Life
6. Social Safety Net



Open Discussion:

- What's your number?
- What is the right size for Michigan's state budget?
- What do we do to get there?

(Please raise your points or questions to panelists at the microphone.)

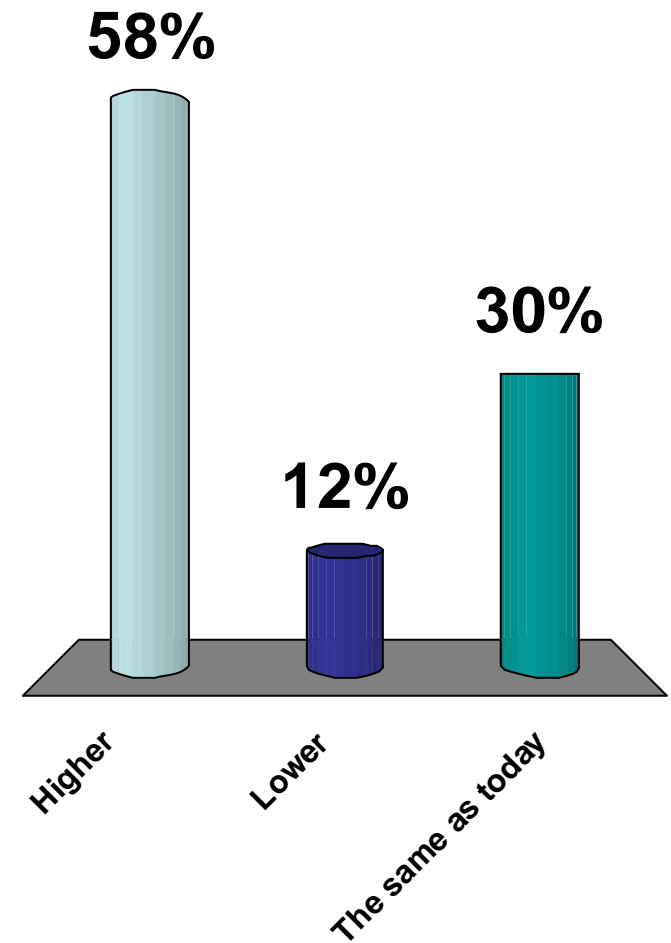
Michigan's Current Tax System

(see pages 26-35 of the Issue Guide)

- Revenues peaked in 2000.
- 5 main tax types
 - Income
 - Business
 - Consumption (sales)
 - Transportation (fuel)
 - Property
- '07 tax hikes increased business & income tax revenues.
- All major revenue sources dropped dramatically in 2009.
- \$9 billion under Headlee spending limit.
- Annual tax breaks total about \$35 billion.

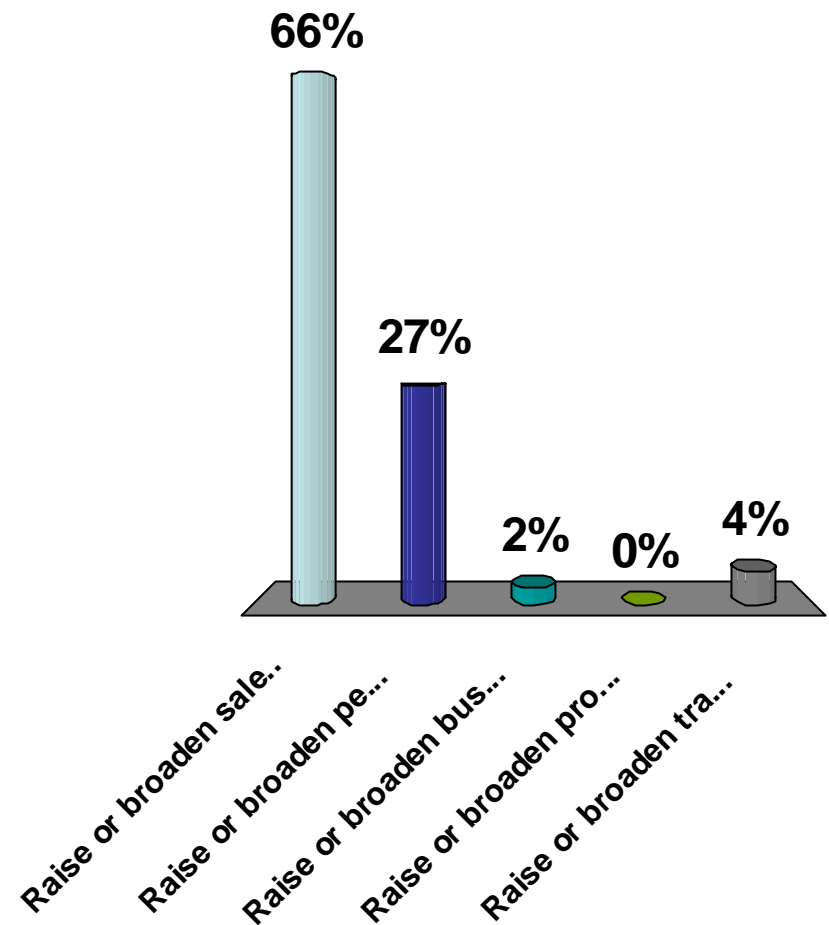
LIVE POLL: Should state taxes generally be...

1. Higher
2. Lower
3. The same as today



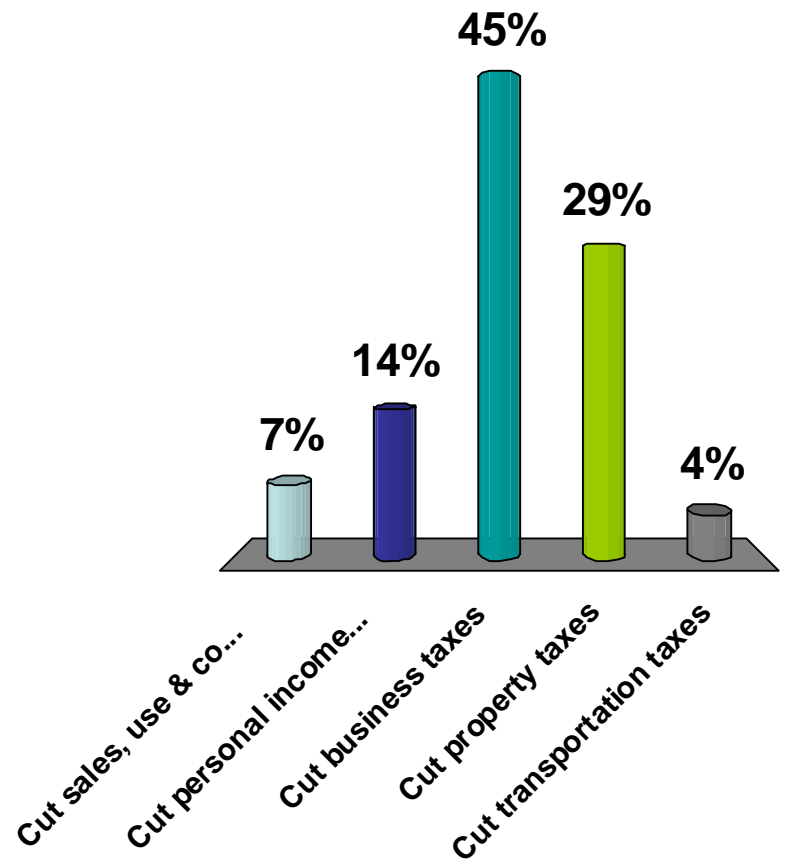
LIVE POLL: If you increase taxes in only one way, how would you do it?

1. Raise or broaden sales, use & consumption taxes
2. Raise or broaden personal income tax
3. Raise or broaden business tax
4. Raise or broaden property tax
5. Raise or broaden transportation tax



LIVE POLL: If you could decrease taxes in only one way, how would you do it?

1. Cut sales, use & consumption taxes
2. Cut personal income taxes
3. Cut business taxes
4. Cut property taxes
5. Cut transportation taxes



Concluding Discussion

- **What future tax system best balances the needs for sustainable revenue, economic growth & prosperity, fairness, transparency, and simplicity?**
- **Where do you see potential for common ground solutions?**
- **Next Steps?**

(Please raise your points or questions to panelists at the microphone.)

Thanks for Participating Today!

