



PUBLIC POLICY ADVISOR

Michigan Expenditures and Revenues: Comparisons with Other States, FY 1986-87

by Robert Kleine and Frances Spring

The U.S. Bureau of the Census recently released its annually reported data on federal, state, and local finances. The information in this report was taken from the *Governmental Finances in 1986-87* and *State and Government Finances, 1987*.

The exhibits in this report include FY 1986-87 data for the United States, Michigan, and ten other selected states. The rank among the fifty states (and the District of Columbia for the state and local data) is included for Michigan and for the highest and lowest ranking states (among the selected states) for each category. (The rank appears in parentheses next to the state's name.)

State-Local Expenditures

State-local spending in Michigan remains above the U.S. average whether measured per capita or per \$1,000 of personal income. Michigan is 7.8 percent above the U.S. average using the per capita measure and 6.4 percent above the U.S. average using the personal income measure. (See exhibits 1 and 2.) Michigan continues to rank high in spending for education, welfare, and health and hospitals and low in spending for highways and interest on state debt. (See exhibits 3 to 12.)

Growth in state-local per capita spending slowed during the year in nearly all categories. Other than for interest payments on debt (which recorded an 11.7 percent rise), rates of increase in per capita spending ranged between 2.2 and 3.2 percent. Michigan's per capita state-local expenditures on education increased only 2.2 percent in 1986-87, but this followed a 14.8 percent increase in 1985-86. The small increase in 1986-87 was still sufficient to change the state's per capita expenditure ranking from 8 to 7, and spending on education was 18.4 percent above the U.S. average.

State-local expenditures per \$1,000 of personal income fell during the year in all but the interest category. This is due to the slow growth in spending, the 1986 reduction in state personal income tax rates, and the continuing strength of the state's economy.

State-Local Revenue

The Michigan tax burden is relatively high in per capita terms and above average when measured per \$1,000 of personal income. Per capita, it is about 10 percent above the U.S. average and ranks 13th; using the personal income measure, the burden is about 4.5 percent above the U.S. average and ranks 21st. (See exhibits 13 and 14.) Michigan ranks high in property tax (9, down from 6 in FY 1985-86) and income tax (12) burdens and low in sales tax burden (45) when measured per \$1,000 of personal income. Michigan

state-local taxes per \$1,000 of personal income declined in all categories during 1986-87, ranging from a 5.4 percent decline in income taxes to a 0.7 percent decline in the sales tax figure. Total state-local general revenue per \$1,000 of personal income declined 4.2 percent from FY 1985-86. (See exhibits 15 to 22.) As mentioned above, this is due to a decline in personal income tax rates and the state's strong economy. (Most state-local taxes increase at slower rates than does personal income.)

State Expenditures and Revenues

Exhibits 23-26 present data on state expenditures and revenues per capita and per \$1,000 of personal income. Michigan ranks lower in state spending and state tax burden than for state-local spending and taxation. For example, Michigan ranks 28th among the states on state general expenditures per \$1,000 of personal income compared with a rank of 19th for state-local expenditures. This is due, in part, to the increased burden placed on local government for the provision of services in the face of cuts in funding at both the state and federal levels. State expenditures per \$1,000 of personal income declined 3.2 percent from 1985-86 to 1986-87 compared with a 0.6 percent rise nationally. State revenues per \$1,000 of personal income also declined, falling 3.7 percent during the same period, compared with no change in the U.S. average.

Comment

The information presented here is helpful in evaluating state-local budget priorities and also provides useful background information for tax policy discussion and evaluation. For example, Michigan's high property tax burden and low sales tax burden may lead one to conclude that an increase in the sales tax to finance property tax relief would be a good idea. The overall decline in tax burdens as a percentage of personal income and the movement of these categories toward the national average could be pointed to as an indicator that Michigan may be able to shed its label as a high tax state.

Public Sector Consultants can provide additional detail as well as rankings for all of the states. If you need this information, please call Robert Kleine at (517) 484-4954.

EXHIBIT 1

Per Capita State-Local General Expenditures

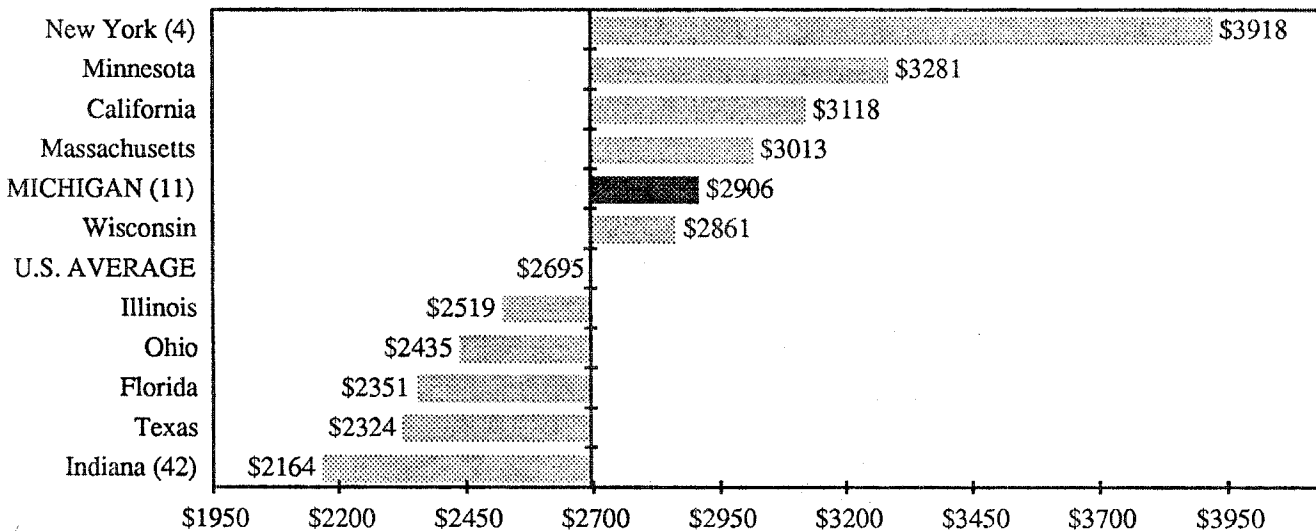


EXHIBIT 2

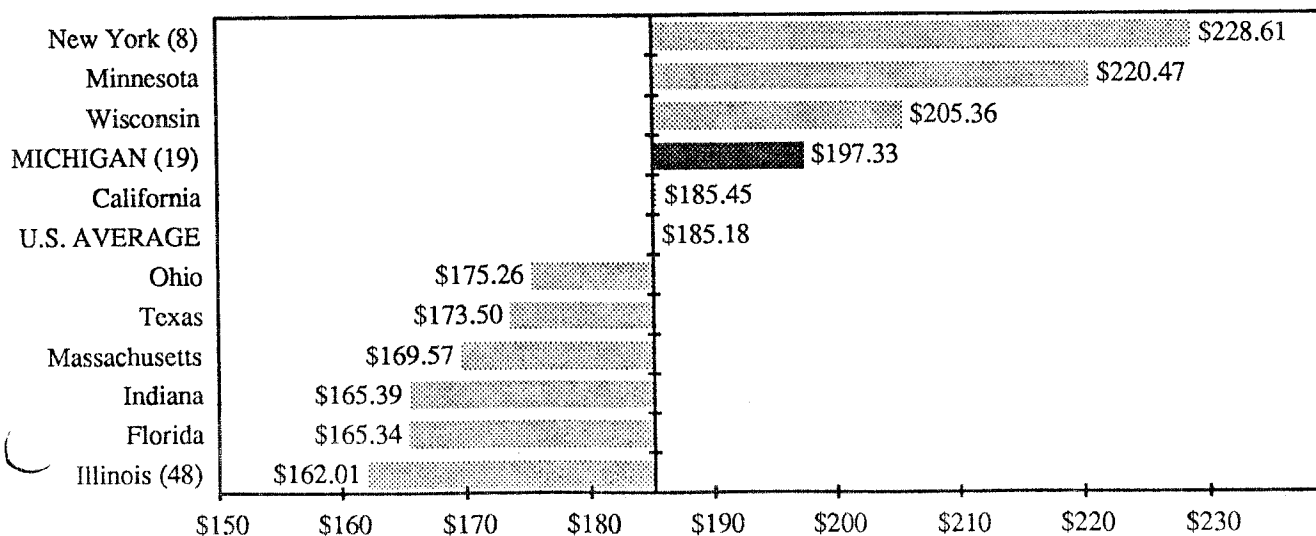
State-Local General Expenditures
Per \$1,000 Personal Income

EXHIBIT 3

Per Capita State-Local Education Expenditures

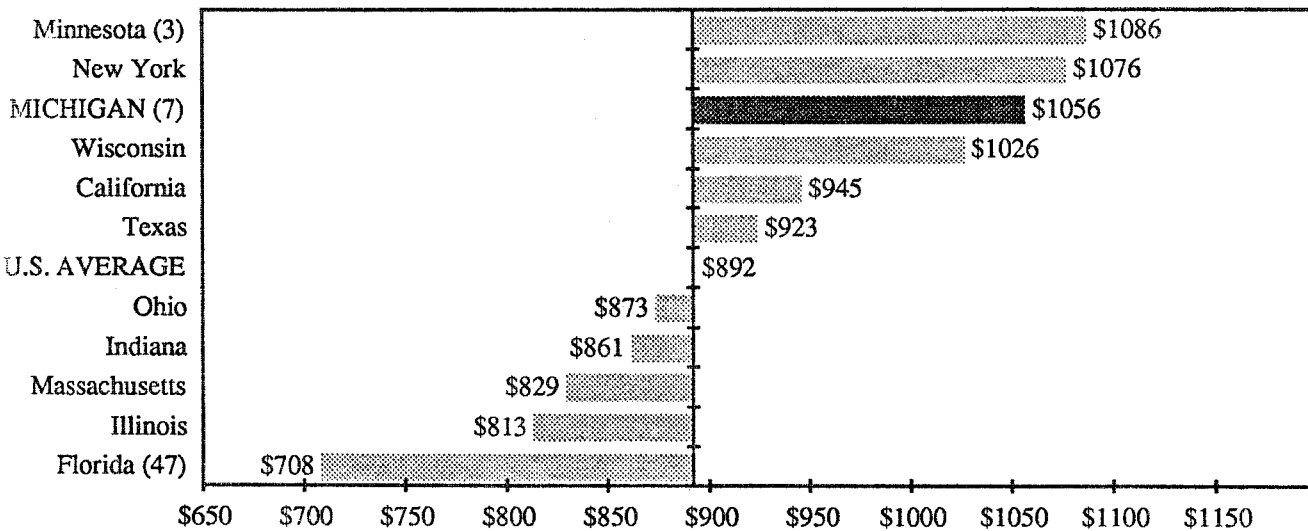


EXHIBIT 4

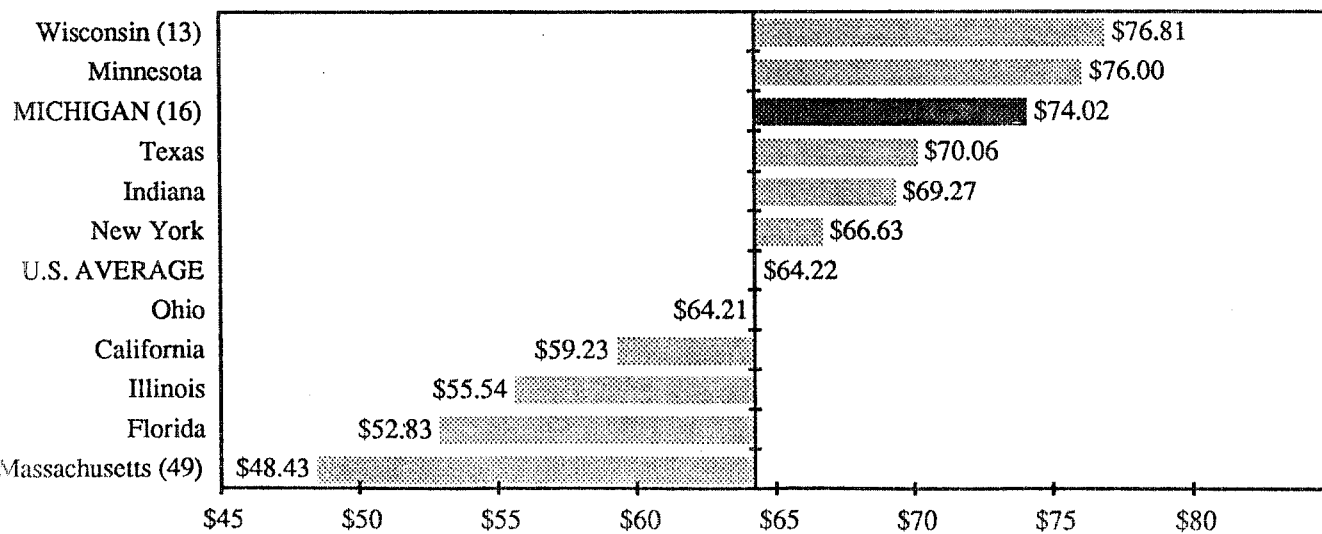
State-Local Education Expenditures
Per \$1,000 Personal Income

EXHIBIT 5

Per Capita State-Local Welfare Expenditures

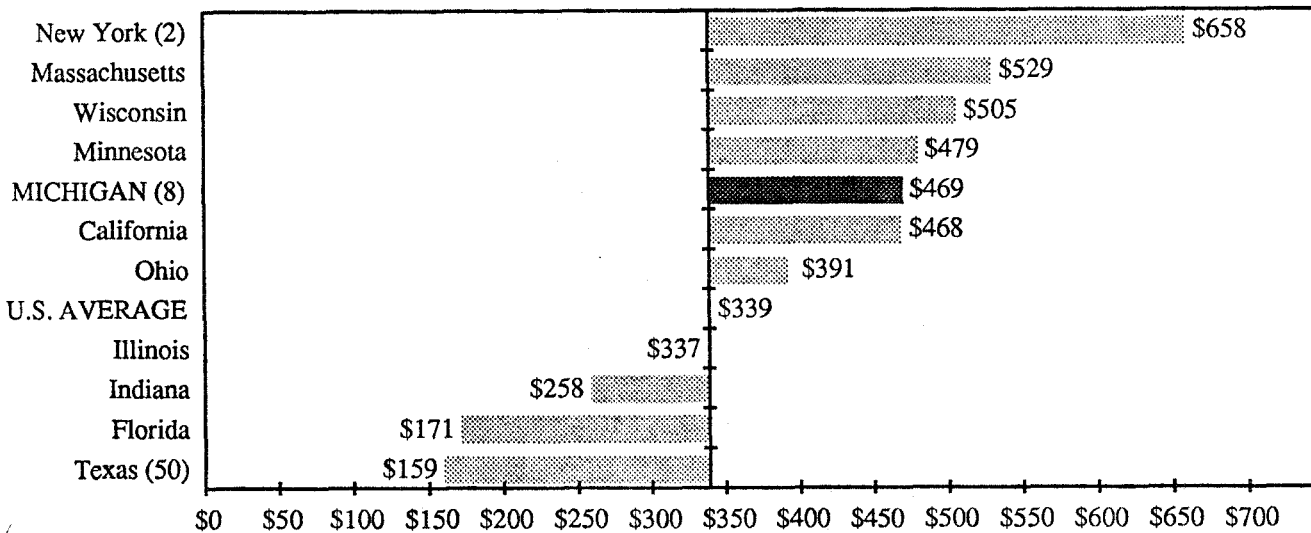


EXHIBIT 6

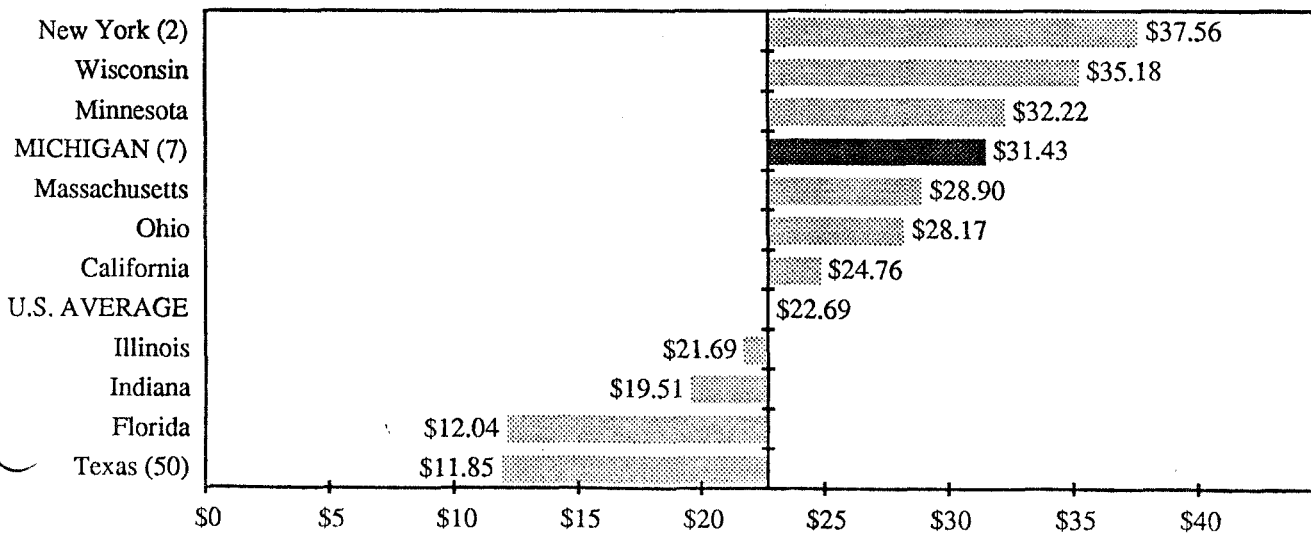
State-Local Welfare Expenditures
Per \$1,000 Personal Income

EXHIBIT 7

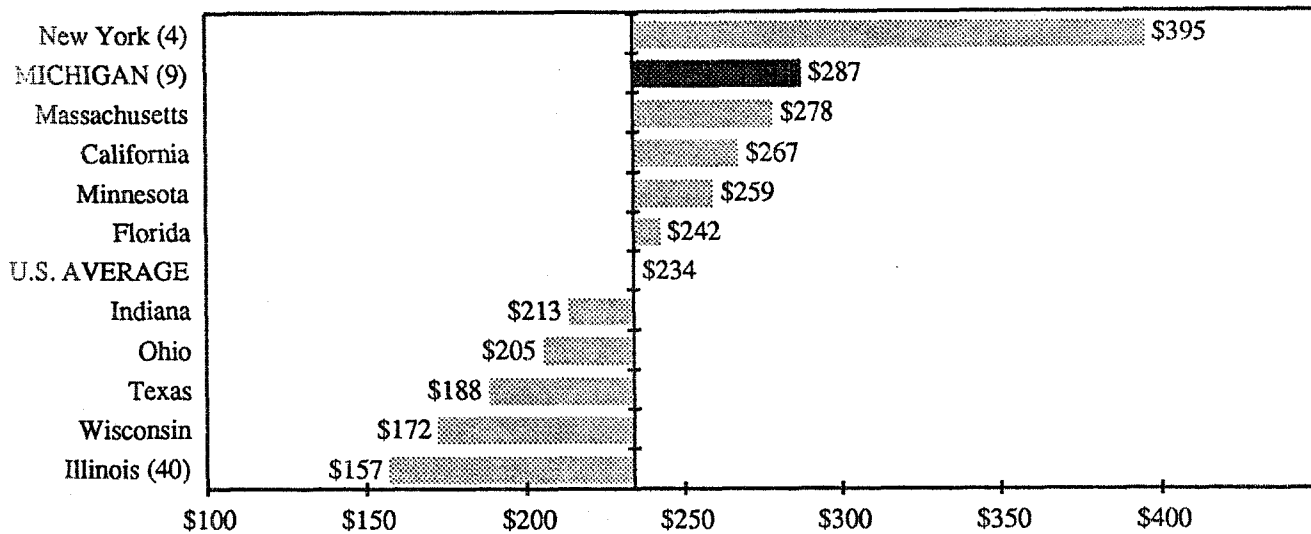
Per Capita State-Local Health and
Hospital Expenditures

EXHIBIT 8

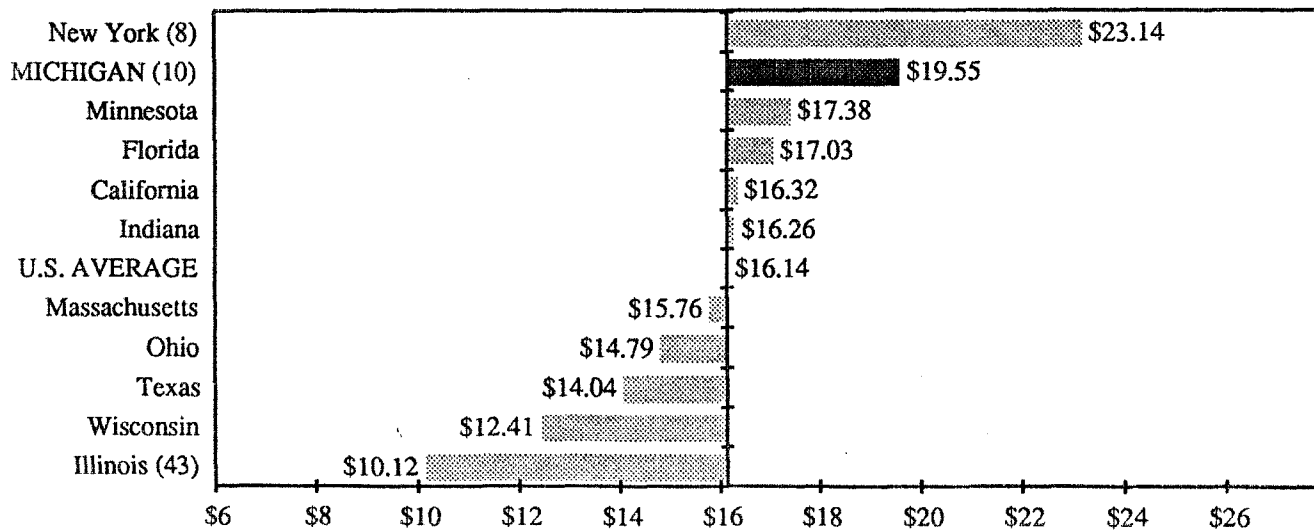
State-Local Health and Hospitals Expenditures
Per \$1,000 Personal Income

EXHIBIT 9

Per Capita State-Local Highway Expenditures

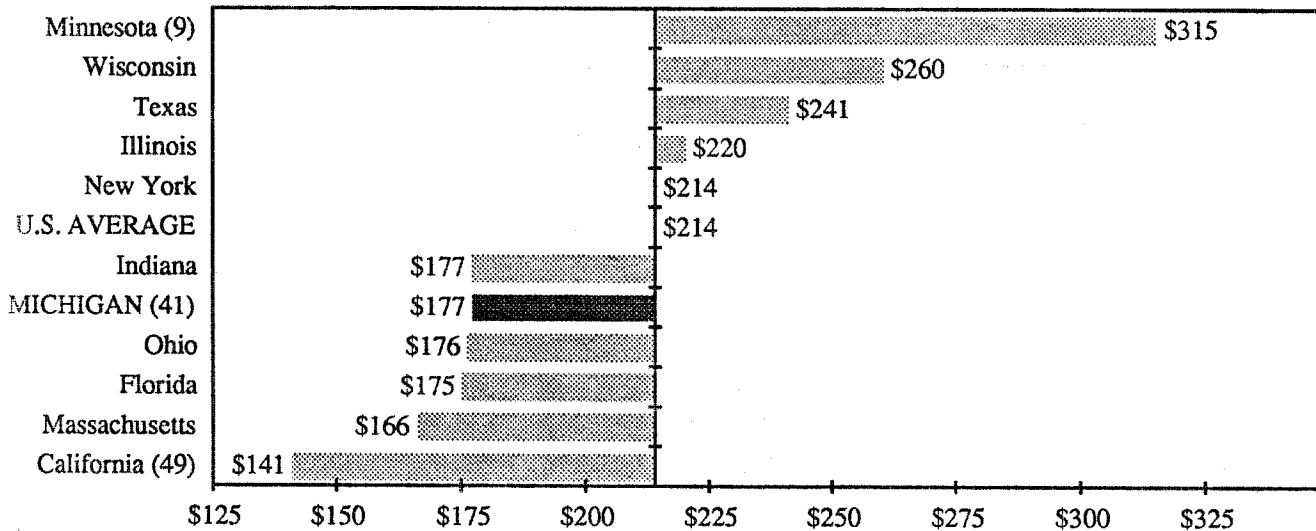


EXHIBIT 10

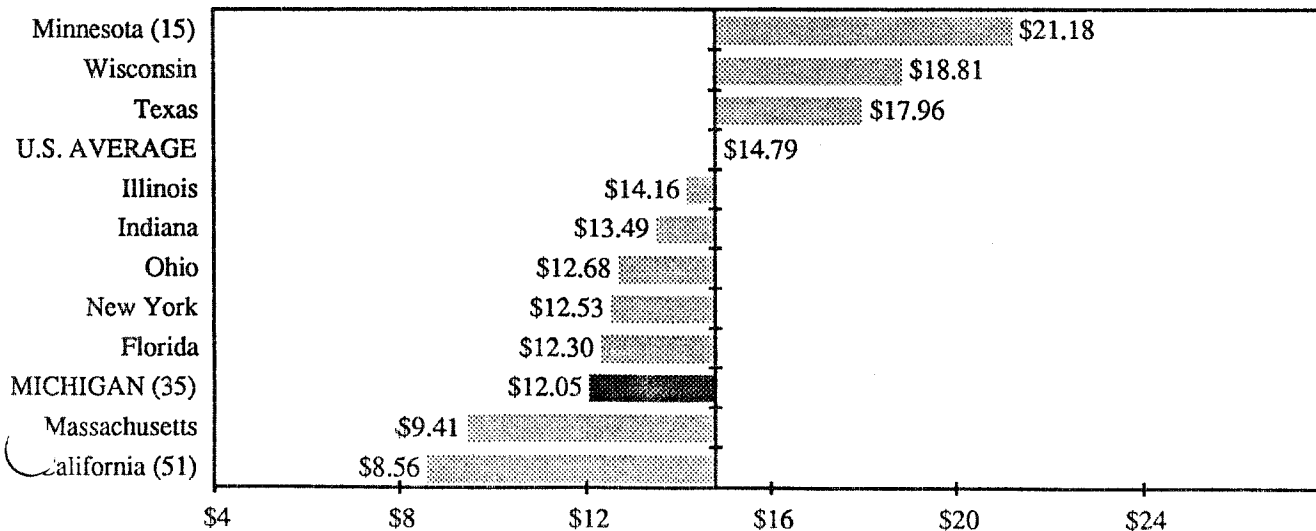
State-Local Highway Expenditures
Per \$1,000 Personal Income

EXHIBIT 11

Per Capita State-Local Interest (Debt) Expenditures

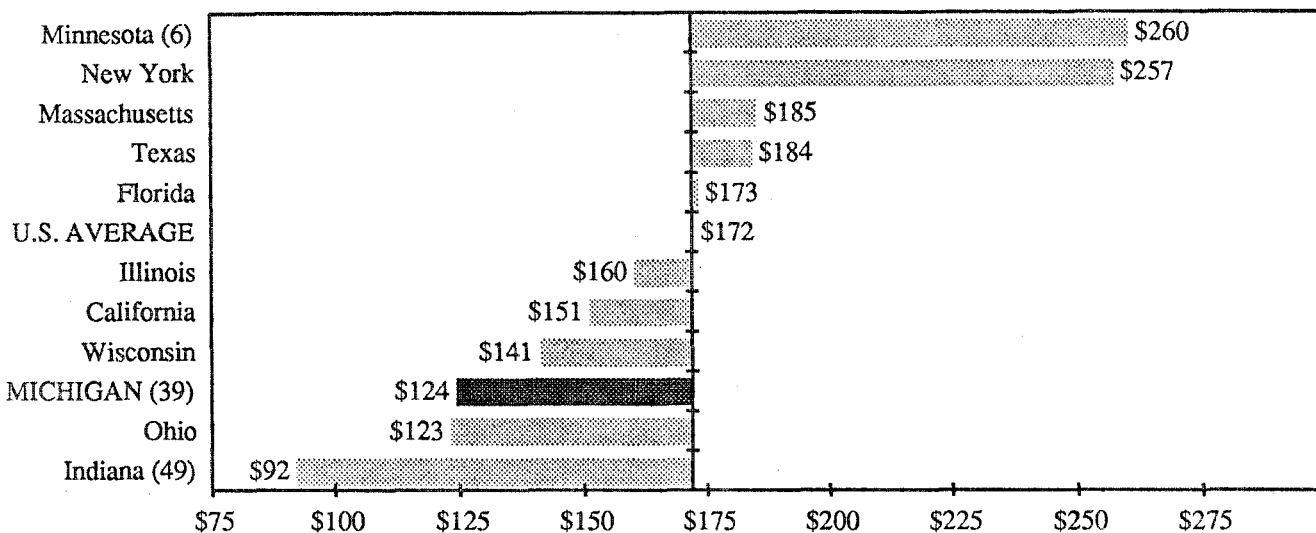


EXHIBIT 12

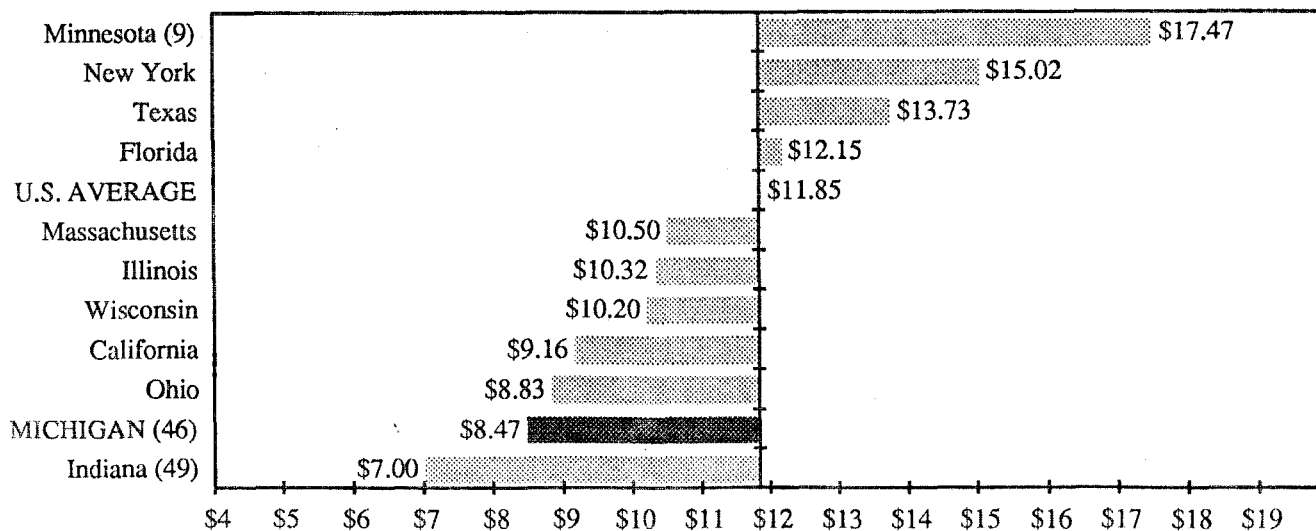
State-Local Interest (Debt) Expenditures
Per \$1,000 Personal Income

EXHIBIT 13

Per Capita State-Local General Revenue

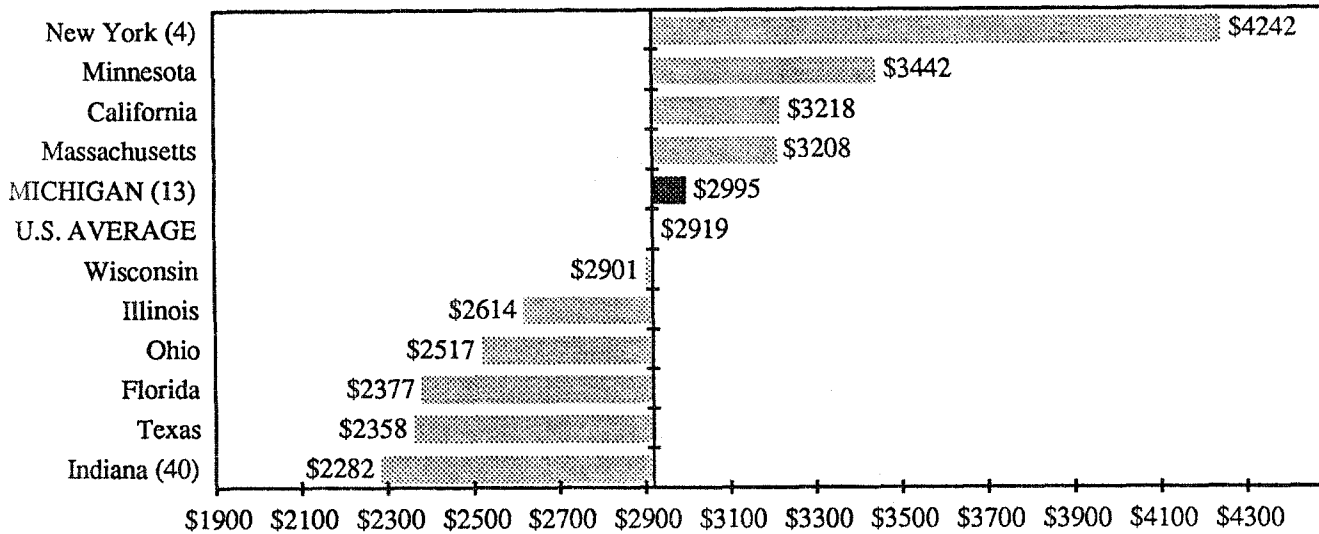


EXHIBIT 14

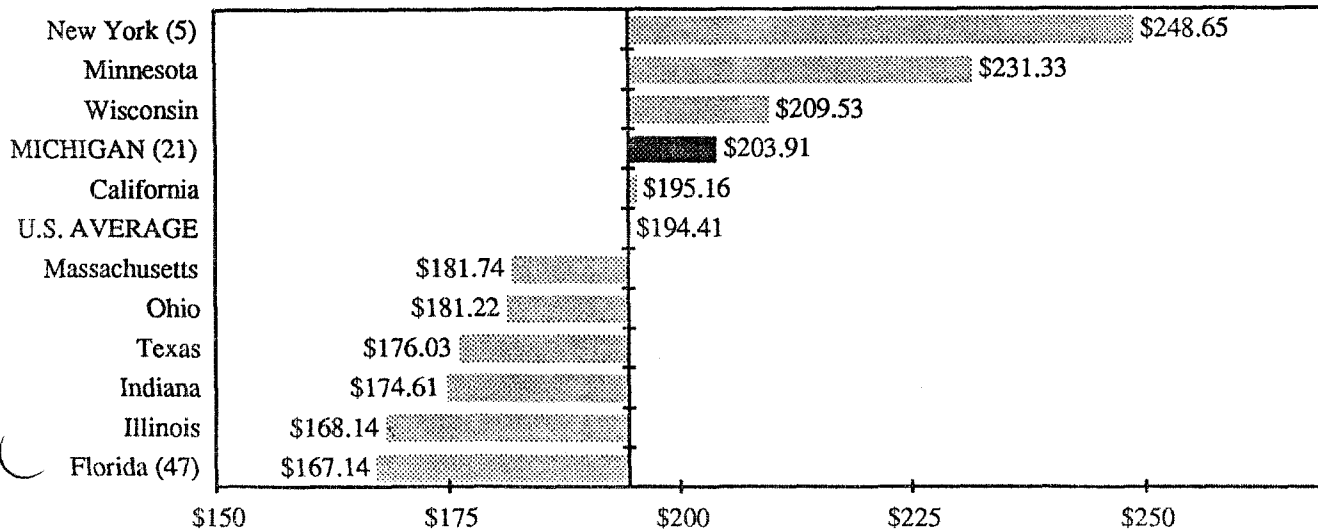
State-Local General Revenue
Per \$1,000 Personal Income

EXHIBIT 15

Per Capita State-Local Property Tax

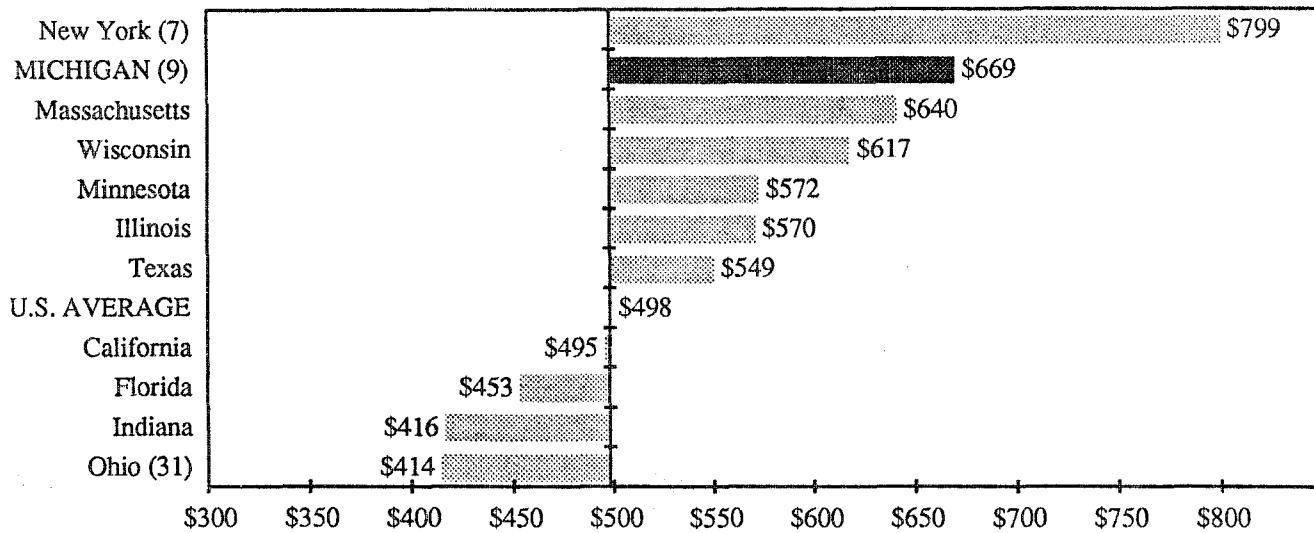


EXHIBIT 16

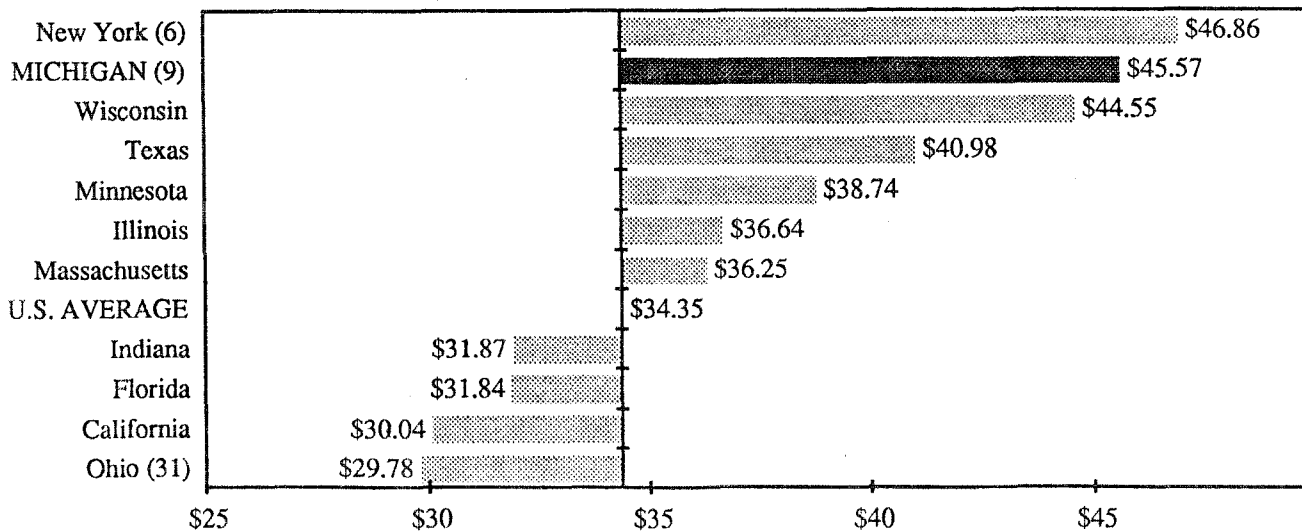
State-Local Property Tax
Per \$1,000 Personal Income

EXHIBIT 17

Per Capita State-Local Income Tax

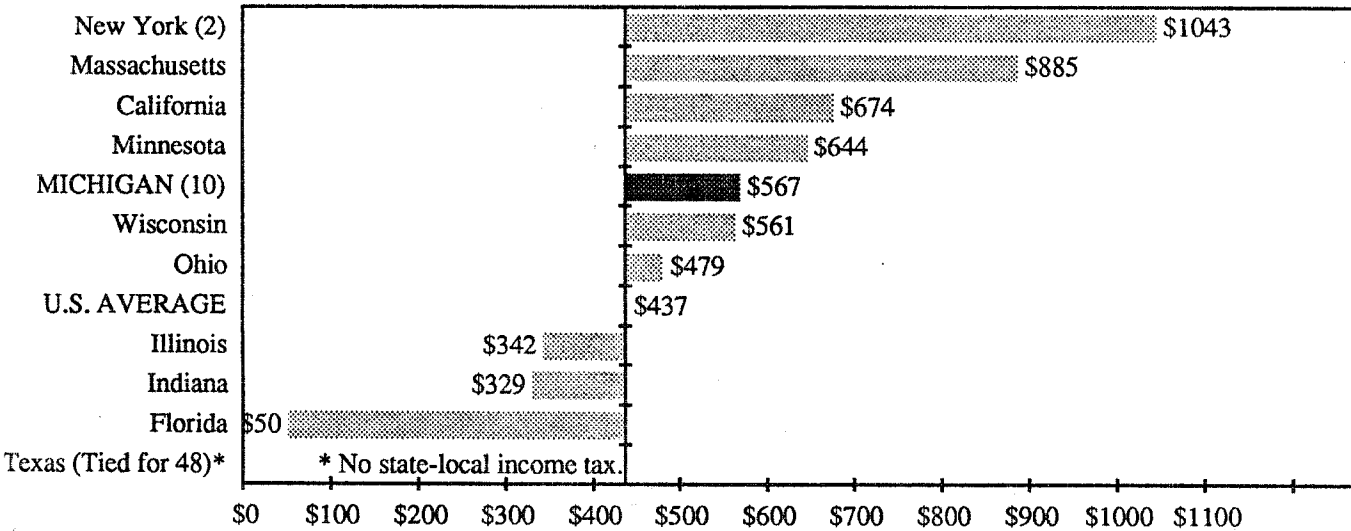


EXHIBIT 18

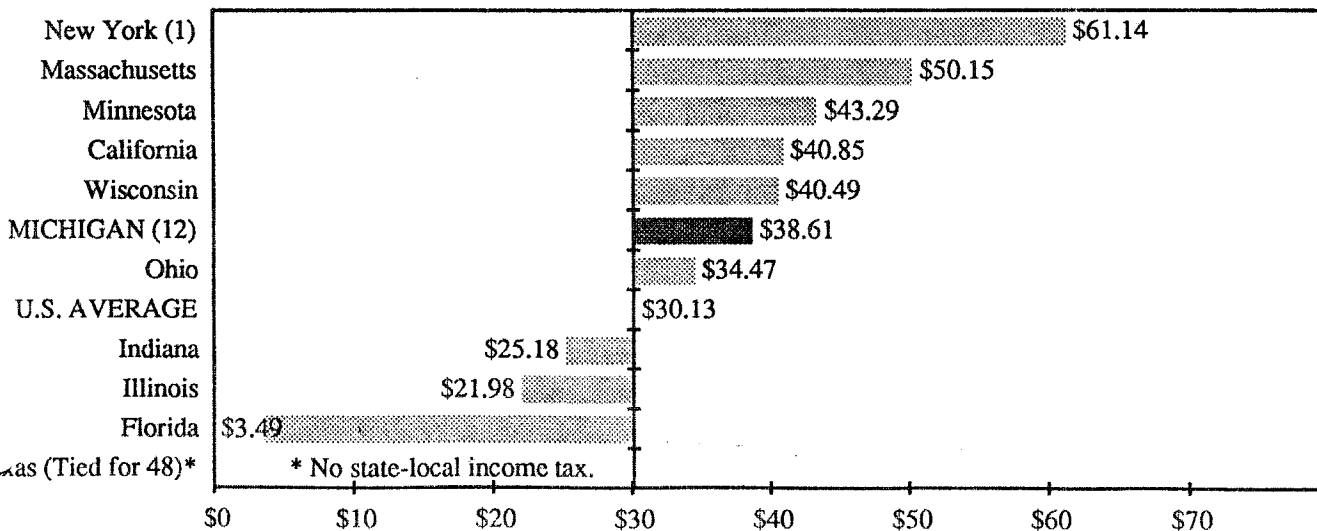
State-Local Income Tax
Per \$1,000 Personal Income

EXHIBIT 19

Per Capita State-Local Sales Tax

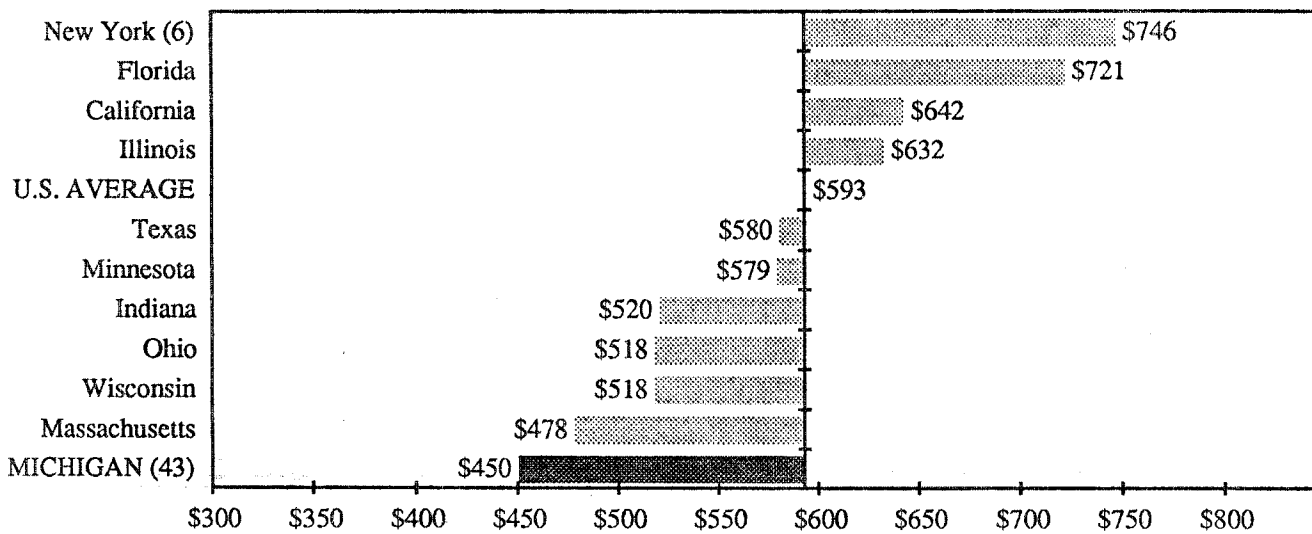


EXHIBIT 20

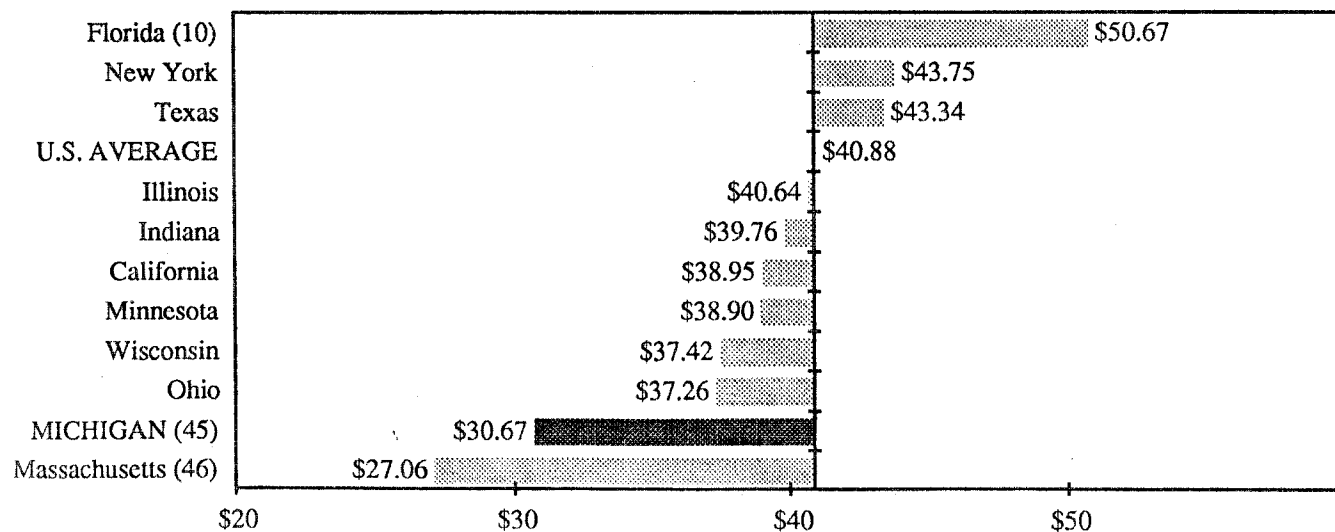
State-Local Sales Tax
Per \$1,000 Personal Income

EXHIBIT 21

Per Capita State-Local Federal Aid

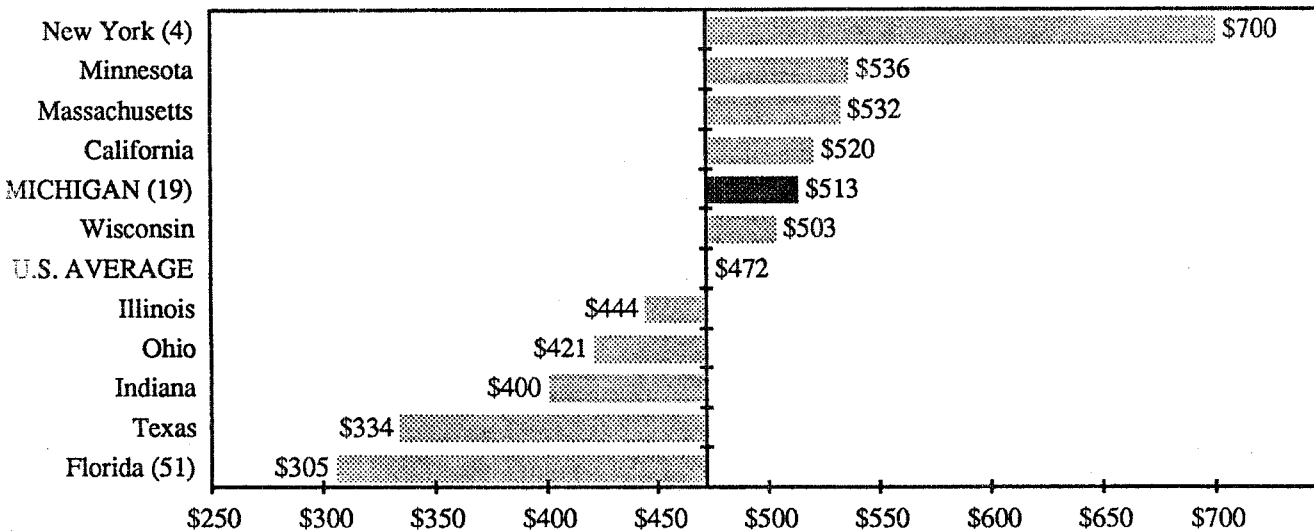


EXHIBIT 22

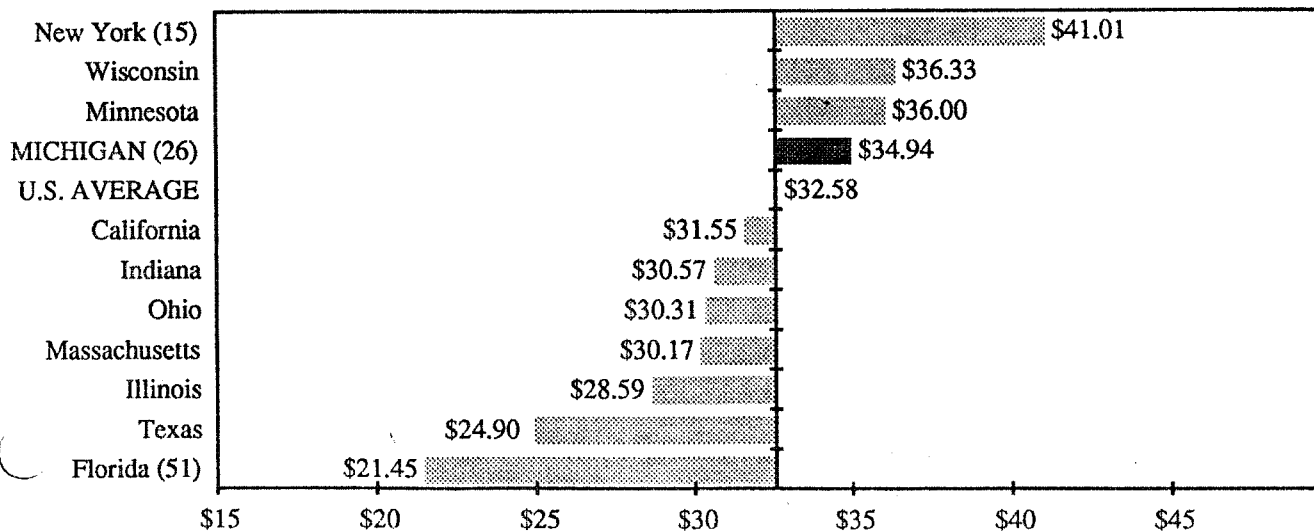
State-Local Federal Aid
Per \$1,000 Personal Income

EXHIBIT 23

Per Capita State General Expenditures

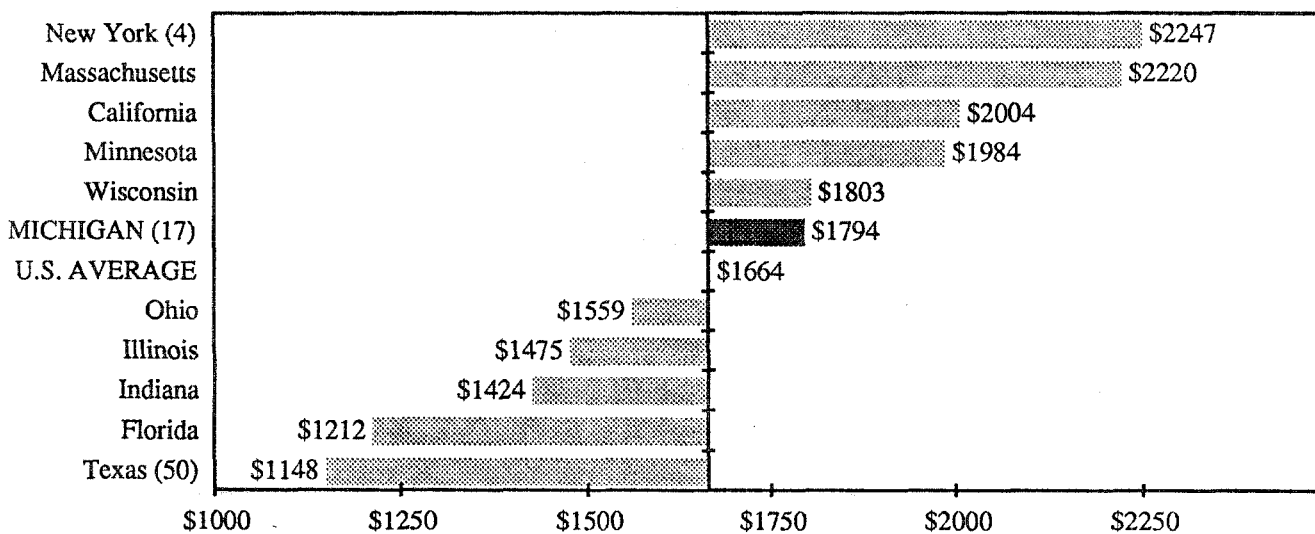


EXHIBIT 24

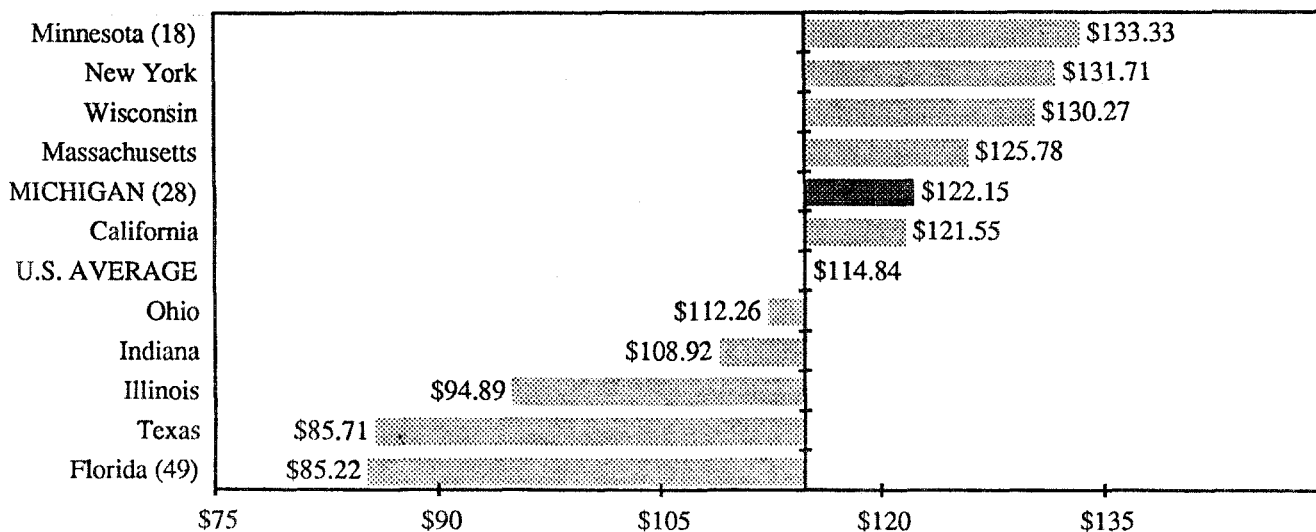
State General Expenditures
Per \$1,000 Personal Income

EXHIBIT 25

Per Capita State General Revenue

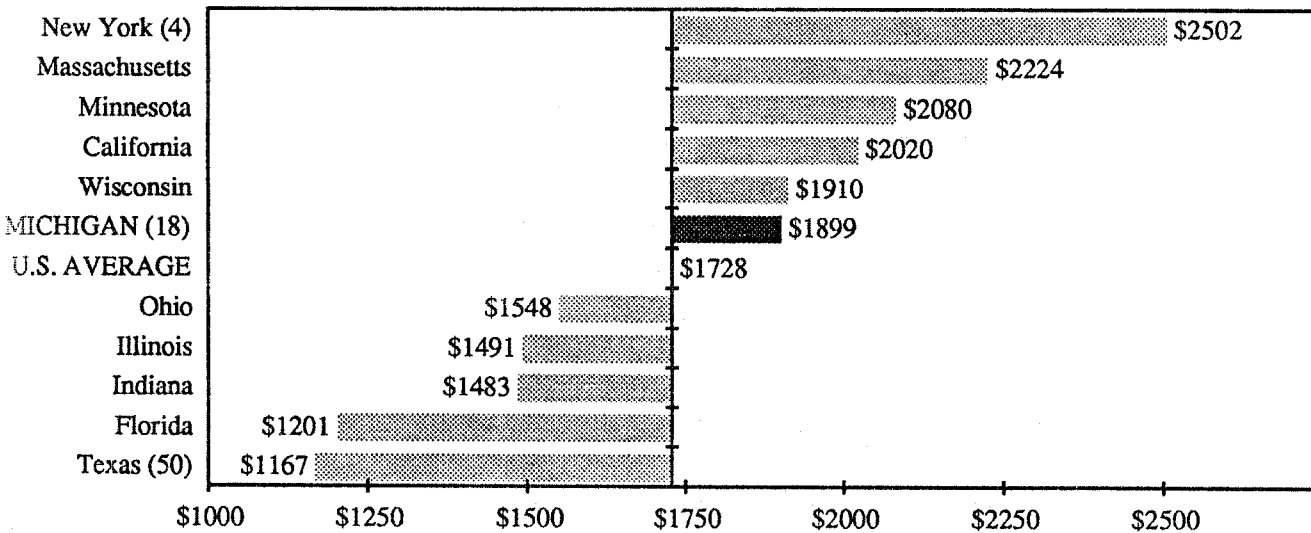
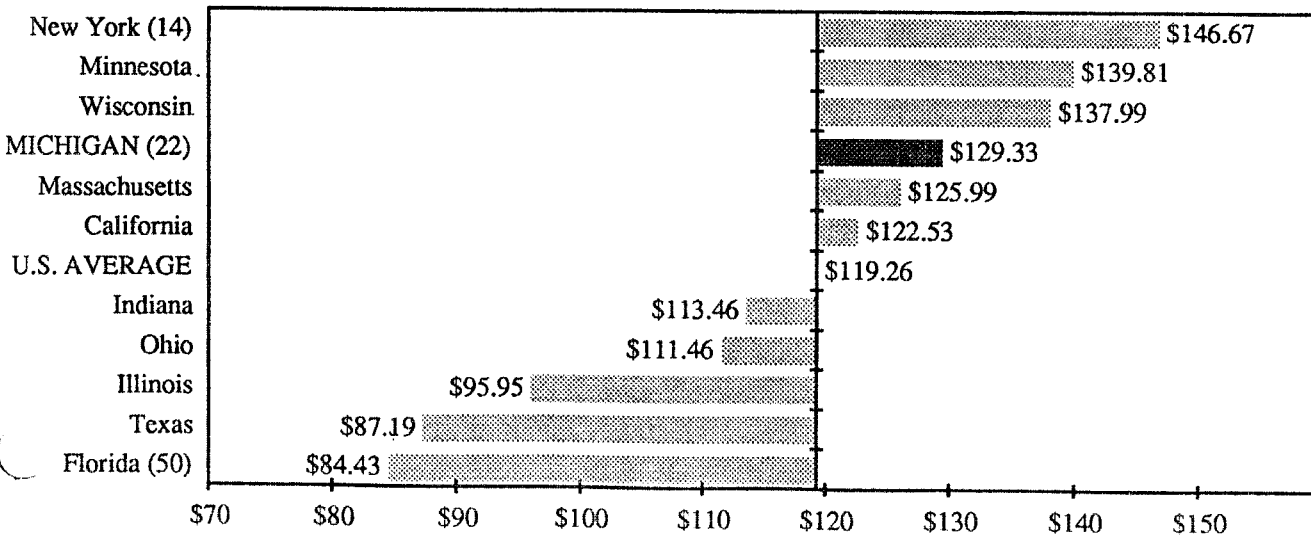


EXHIBIT 26

State General Revenue
Per \$1,000 Personal Income

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