

PUBLIC POLICY ADVISOR

Michigan Expenditures and Revenues: Comparisons with Other States, FY 1989-90

By Robert Kleine and Michael Shneider

INTRODUCTION

The U.S. Bureau of the Census recently released its annually reported data on federal, state, and local finances for FY 1989-90. The information in this report was taken from *Government Finances in 1989-90* and *State Government Finances, 1990*.

The exhibits in this report include FY 1989-90 data for the United States, Michigan, and twelve 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 the highest and lowest ranking states for each category. The rank appears in the exhibits in parentheses next to the state's name.

These data tell an interesting story. Michigan is no longer a high tax and spending state. As discussed below, Michigan is only slightly above average in its taxation and spending, both on a per capita basis and as a percent of personal income.

The change has been particularly dramatic since FY 1985-86, the peak year in the 1980s. As shown in the table below Michigan own-source revenue as a share of personal income declined from 17.5 percent to 16.5 percent in FY 1989-90, and Michigan's rank among the fifty states dropped from 14th to 26th. In terms of expenditures, Michigan was 12.3 percent above the national average in FY 1985-86 (20.5 percent of personal income), but only 1.1 percent above the national average (19.3 percent of personal income) in FY 1989-90, and the state's rank among the fifty states fell from 16th to 28th.

These numbers may surprise some, particularly since they do not reflect the budget cuts of the last two years, nor do they reflect the large tax increases in other states in 1991.

Michigan is likely to be below the national average in taxation and spending when the 1991, 1992, and 1993 numbers become available.

STATE-LOCAL GOVERNMENT EXPENDITURES

State-local spending in Michigan remains above the U.S. average but is significantly lower than in previous years. Using a per capita measure, Michigan is right at the U.S. average (down from 5 percent above in FY 1988-89). Using a personal income measure, Michigan is 1.1 percent above the U.S. average (down from 4 percent in FY 1988-89). (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 debt. (See exhibits 3 to 12.)

Per capita state-local spending continued to increase in all categories for FY 1989-90, except interest on state debt. Percentage increases for all categories except education were larger than in FY 1988-89. Michigan's state-local per capita spending on highways rose by 3.6 percent, on health and hospitals by 6.3 percent, and on welfare by 2.9 percent as compared to increases for FY 1988-89 of 3.2 percent, 5.4 percent, and 1.2 percent, respectively. Michigan per capita state-local education spending increased only 1.5 percent—the smallest increase among the spending categories surveyed. The level of per capita spending



Public Sector Consultants, Inc.

Knapp's Centre • 300 S. Washington Sq. • Suite 401
Lansing, MI 48933-2134 • (517) 484-4954

State-Local Revenue and Expenditure Comparisons, FY 1985-86 and FY 1989-90

State-Local Own-Source Revenue	FY 1985-86			FY 1989-90		
	Percent of Personal Income	Percent of U.S. Average	Rank	Percent of Personal Income	Percent of U.S. Average	Rank
Income tax	2.33	110.4	NA	2.40	100.5	NA
Sales tax	3.09	75.8	45	2.76	67.8	45
Property tax	4.80	142.5	6	4.70	132.2	11
TOTAL	17.50	109.4	14	16.50	101.1	26
State-Local Expenditures						
Education	7.64	119.9	15	7.32	110.9	23
Welfare	3.31	146.7	6	2.85	115.8	10
Health/Hospitals	2.06	126.9	10	2.03	118.8	13
Corrections	0.50	111.7	11	0.60	105.0	13
Highways	1.28	85.8	42	1.15	82.3	47
Natural Resources/Parks	4.72	81.2	38	0.43	70.7	43
TOTAL	20.51	112.3	16	19.25	101.1	28

NA = not available

SOURCE: Calculated by Public Sector Consultants, Inc., from data in U.S. Department of Commerce, *Government Finances, FY 1985-86 and FY 1989-90*.

NOTE: The rank for the income tax is not available as the census statistics were adjusted to exclude corporate income taxes. The Census Bureau inappropriately includes the Michigan single business tax under income taxes.

on health and hospitals and education was 18 percent and 12 percent above the U.S. average, respectively, while spending for highways was 19 percent below the national average.

State-local expenditures per \$1,000 of personal income for FY 1989-90 fell from the previous year level for all categories except health and hospitals. Expenditures for education, welfare, and health and hospitals were 11 percent, 15.9 percent, and 19.9 percent, respectively, above the U.S. average. Spending per \$1,000 of personal income for highways and interest on debt were 17.7 percent and 36 percent below the national average.

STATE-LOCAL REVENUE

The Michigan tax burden is slightly above average in per capita and per \$1,000 of personal income terms, although it is not as high as it was in FY 1988-89. Using the per capita measure, Michigan ranks 18th nationally compared to 14th in the previous fiscal year, and 26th compared to 22d using the personal income measure. (See exhibits 13 and 14.) Michigan retains a high rank in property tax (11th compared to 9th in FY 1988-89) and income tax (10th compared to 11th the previous year) burden, and a low rank in sales tax burden (40th, up from 46th in FY 1988-89; see exhibits 15-20).¹ The property tax and income tax measures were 31 percent and 26.9 percent above the national average, respectively, while the sales tax burden was 32.8 percent below the U.S. average.

State-local revenues from federal sources decreased in both per capita terms and per \$1,000 of personal income. (See exhibits 21 and 22.) Federal revenue also declined relative to other states (in terms of both measures) with state-local federal aid per capita declining in rank from 26th to 37th, while the rank for federal aid per \$1,000 of personal income fell from 33d to 36th. Both measures were well below the U.S. average.

¹ Michigan's income tax burden is overstated because the data include collections from the single business tax, which is a broad-based value-added tax, not an income tax. Michigan's personal income tax is about at the U.S. average.

STATE EXPENDITURES AND REVENUES

Exhibits 23–26 present data on state expenditures and revenues per capita and per \$1,000 of personal income. Michigan again ranks lower in state spending and tax burden than for state-local spending and taxation. For example, Michigan ranks 32d among the states on general expenditures per \$1,000 of personal income compared with a rank of 23d for state-local expenditures. Michigan state expenditures per \$1,000 of personal income for FY 1989–90 decreased 0.7 percent from the previous year, while the national average increased 0.4 percent.

State general revenue per \$1,000 of personal income for FY 1989–90 decreased 5.6 percent from the previous year, while the national average declined about 6.2 percent. In FY 1988–89 Michigan was 6.6 percent above the national average in general state revenue. In FY 1989–90 Michigan was only 3.4 percent above the U.S. average. In sum, the state of Michigan in FY 1989–90 is spending and taking in relatively less than it has in previous fiscal years.

EXHIBIT 1

Per Capita State-Local General Expenditures

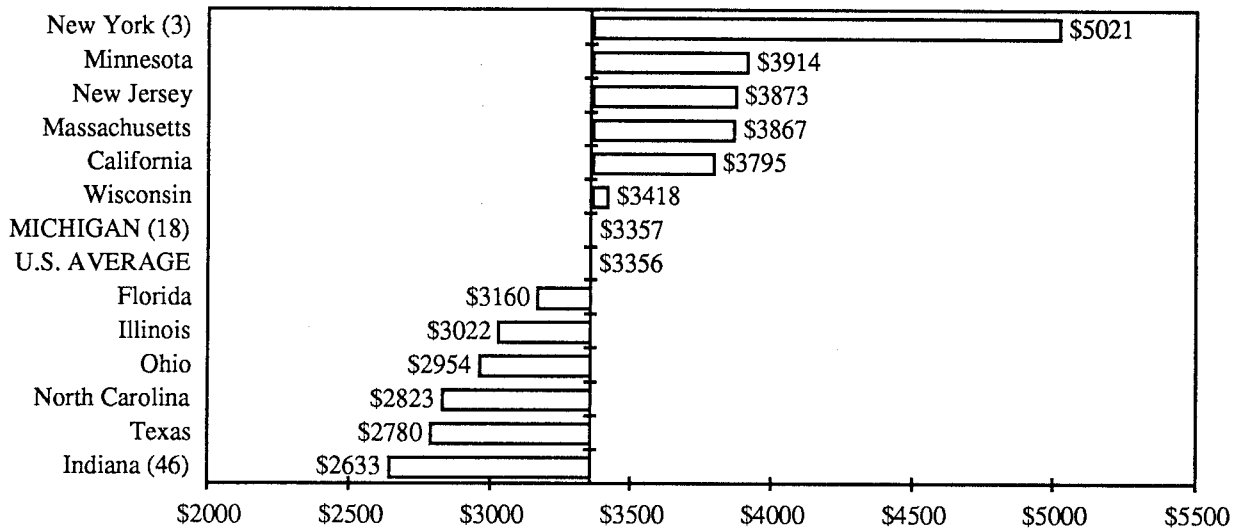


EXHIBIT 2

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

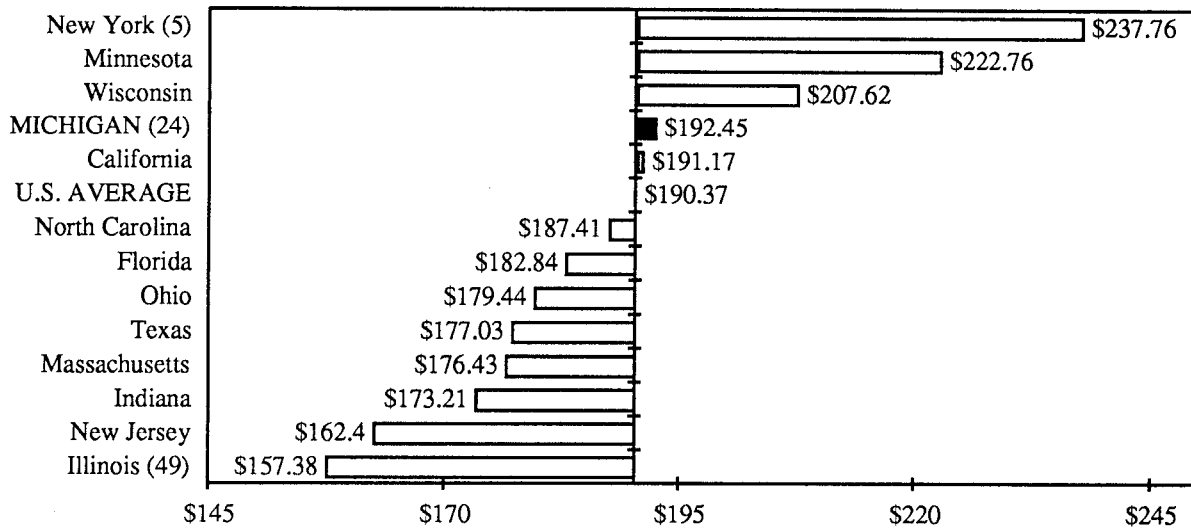


EXHIBIT 3

Per Capita State-Local Education Expenditures

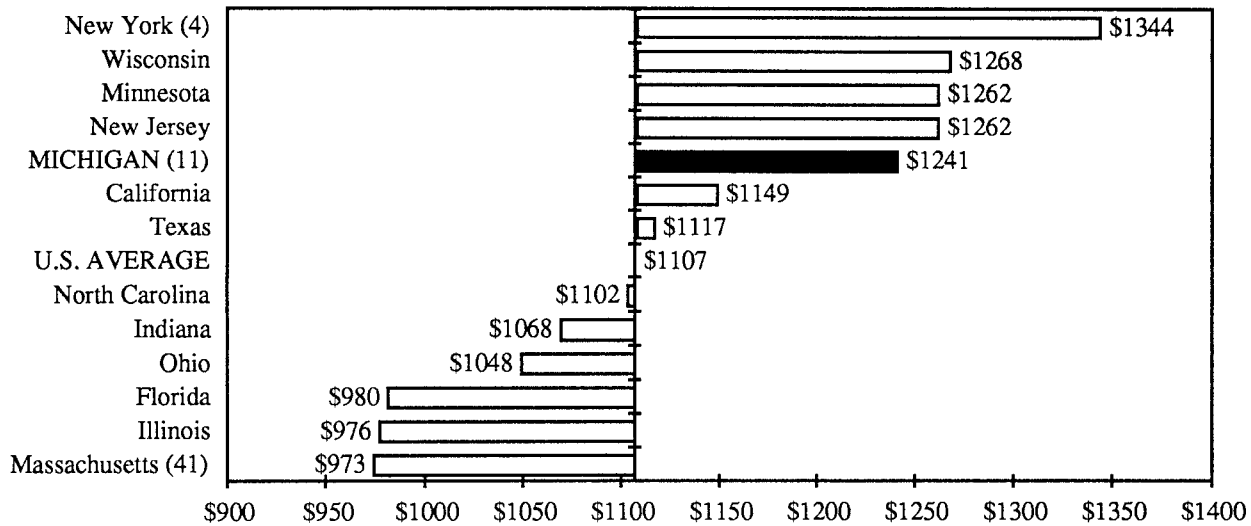


EXHIBIT 4

State Local Education Expenditures per \$1,000 Personal Income

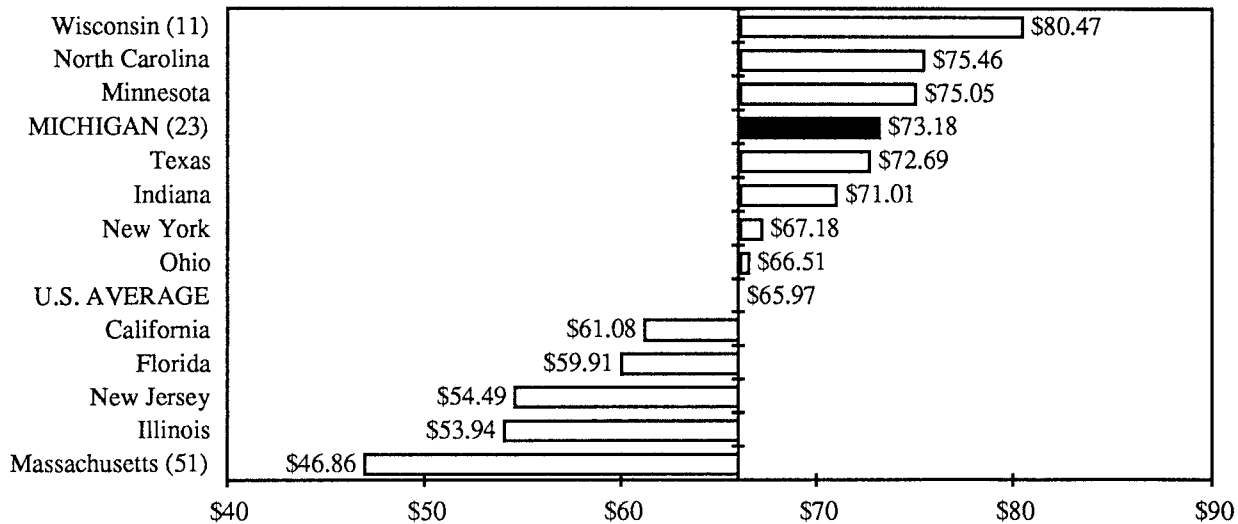


EXHIBIT 5

Per Capita State-Local Welfare Expenditures

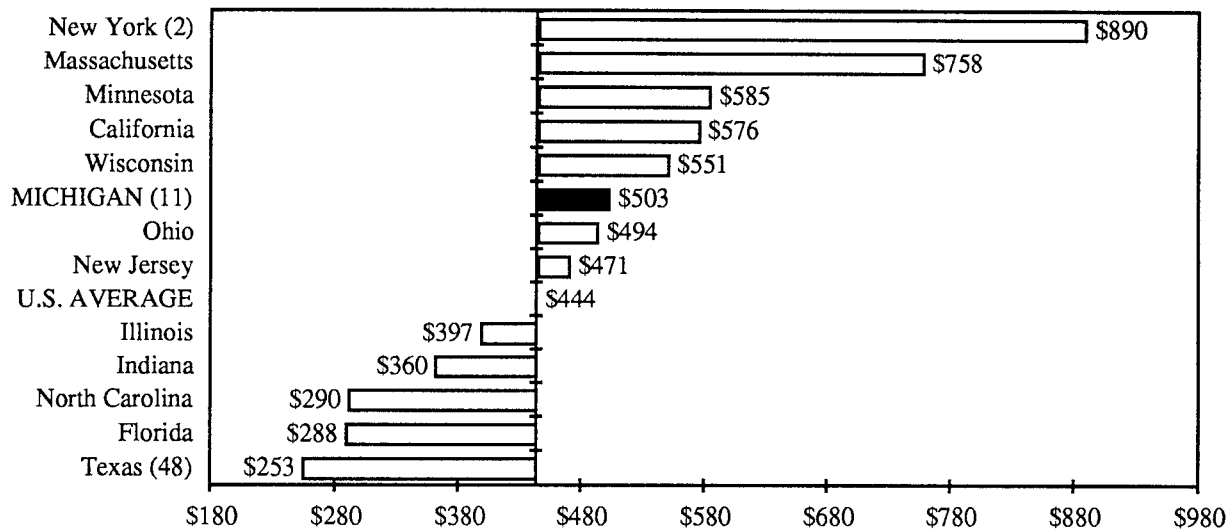


EXHIBIT 6

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

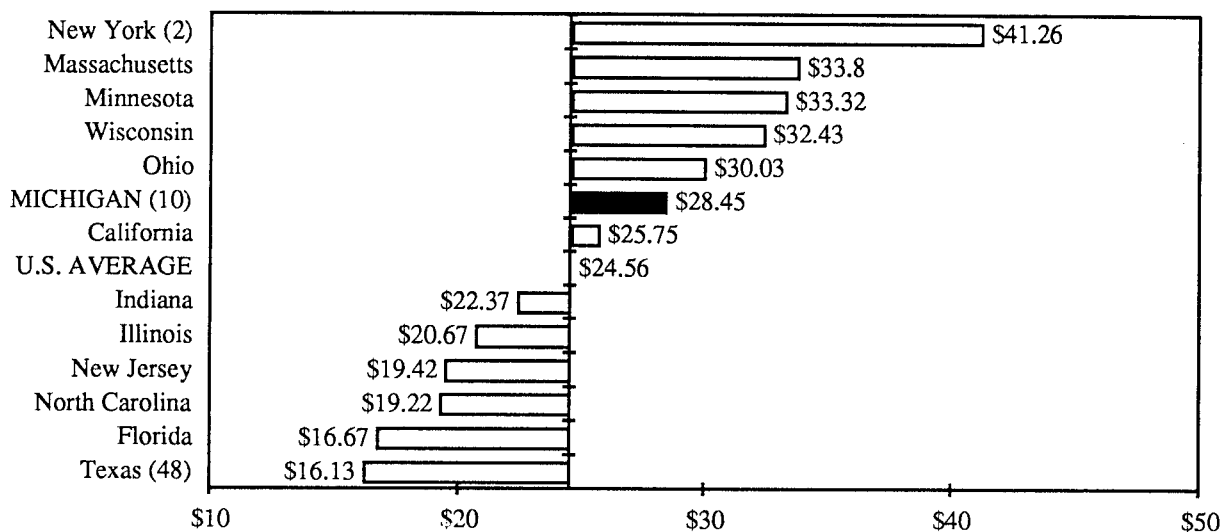


EXHIBIT 7

Per Capita State-Local Health and Hospital Expenditures

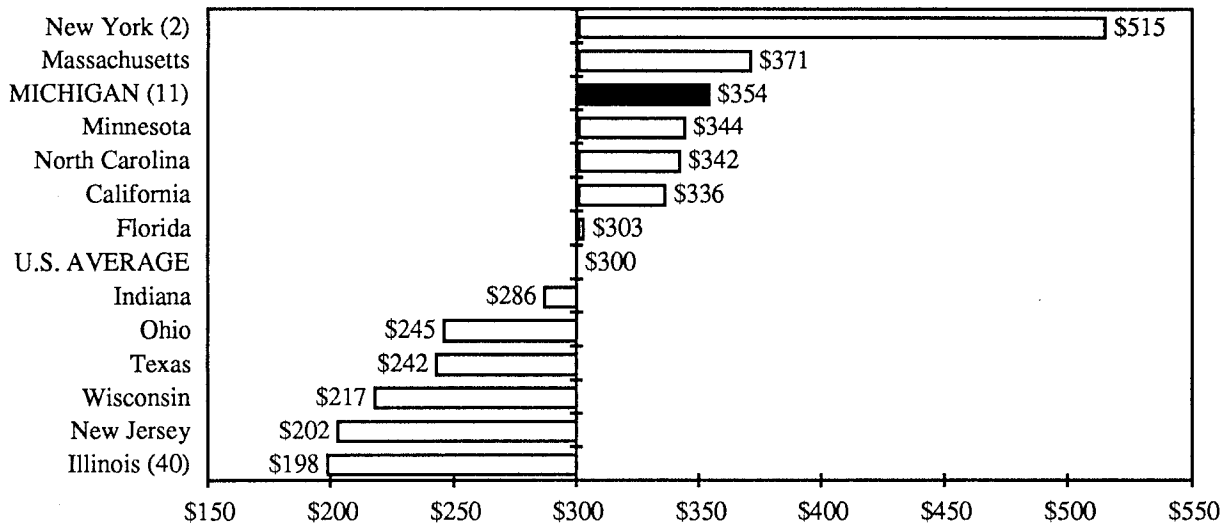


EXHIBIT 8

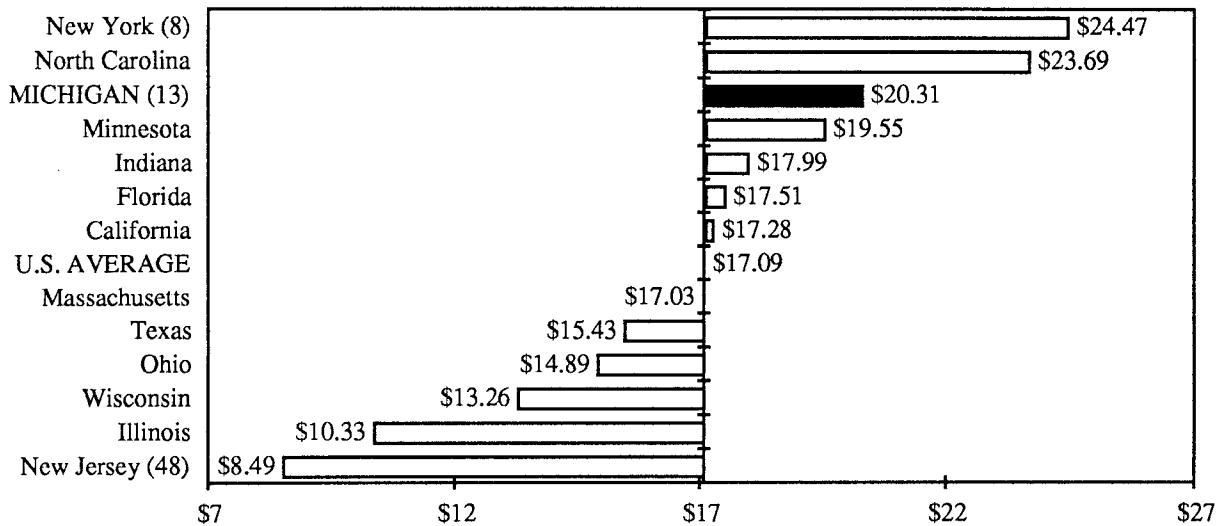
State-Local Health and Hospitals Expenditures
Per \$1,000 Personal Income

EXHIBIT 9

Per Capita State-Local Highway Expenditures

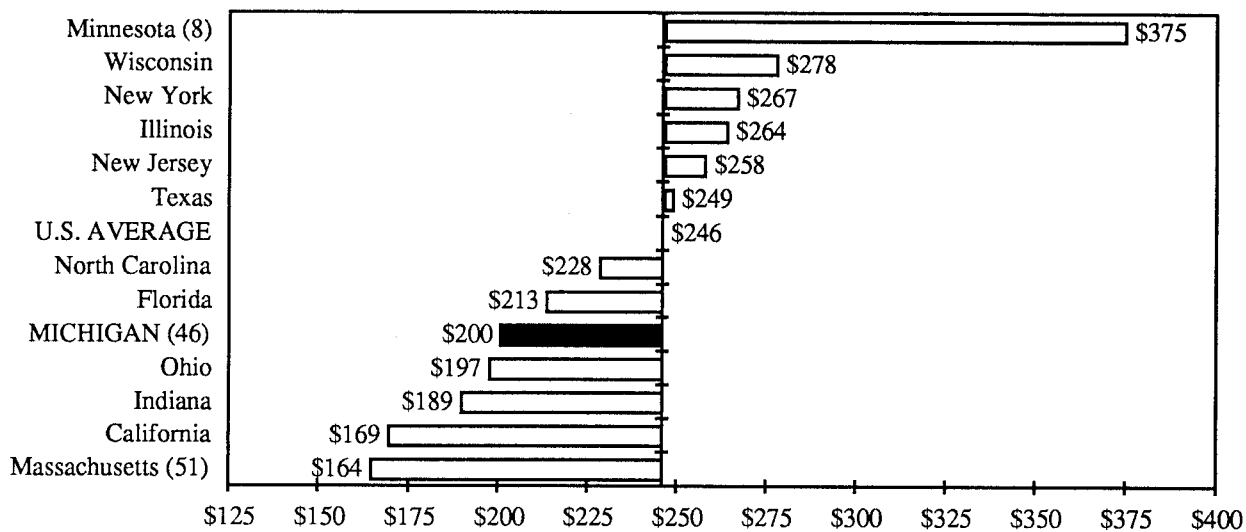


EXHIBIT 10

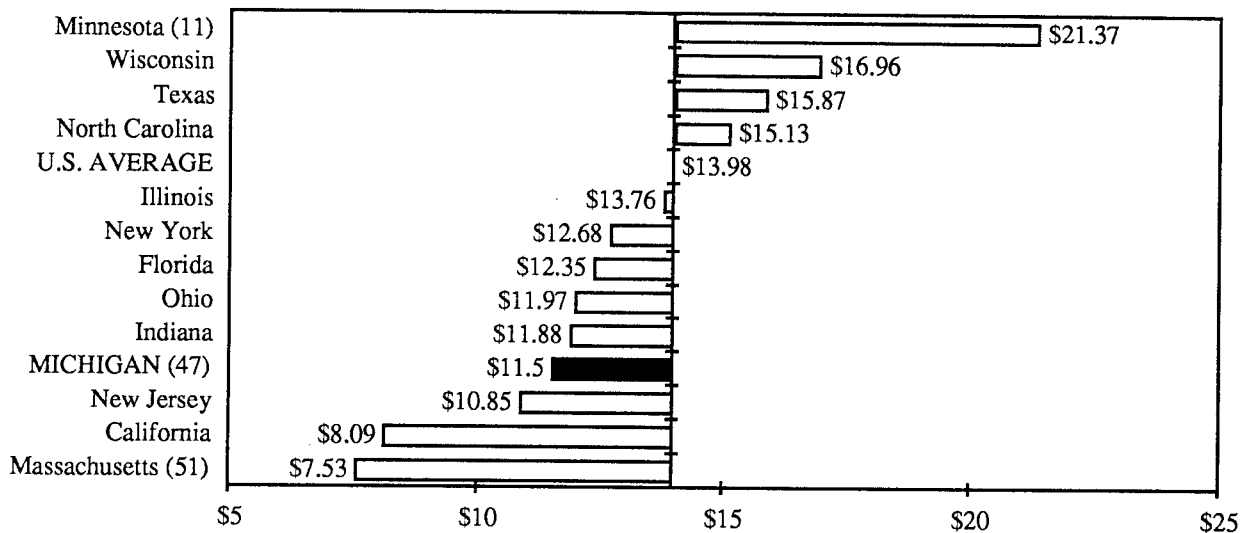
State-Local Highway Expenditures
Per \$1,000 Personal Income

EXHIBIT 11

Per Capita State-Local Interest (Debt) Expenditures

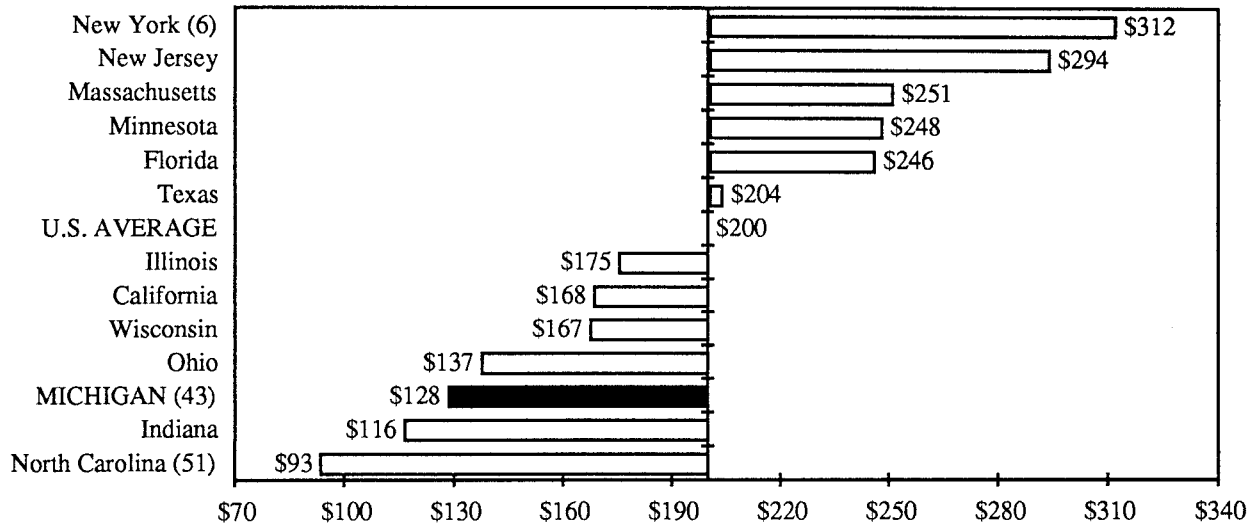


EXHIBIT 12

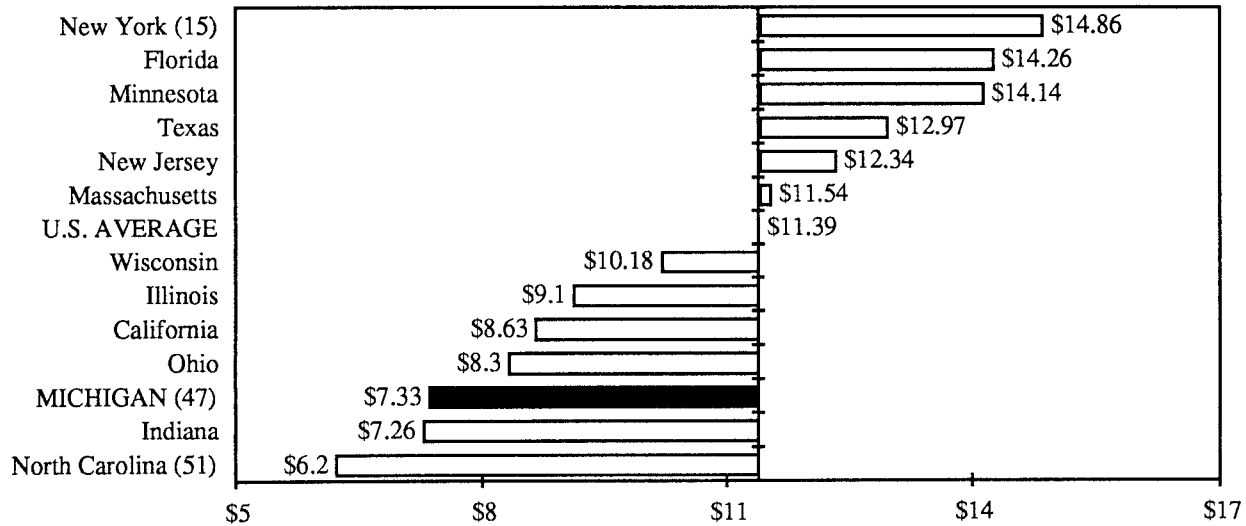
State-Local Interest (Debt) Expenditures
Per \$1,000 Personal Income

EXHIBIT 13

Per Capita State-Local General Revenue (Own Source)

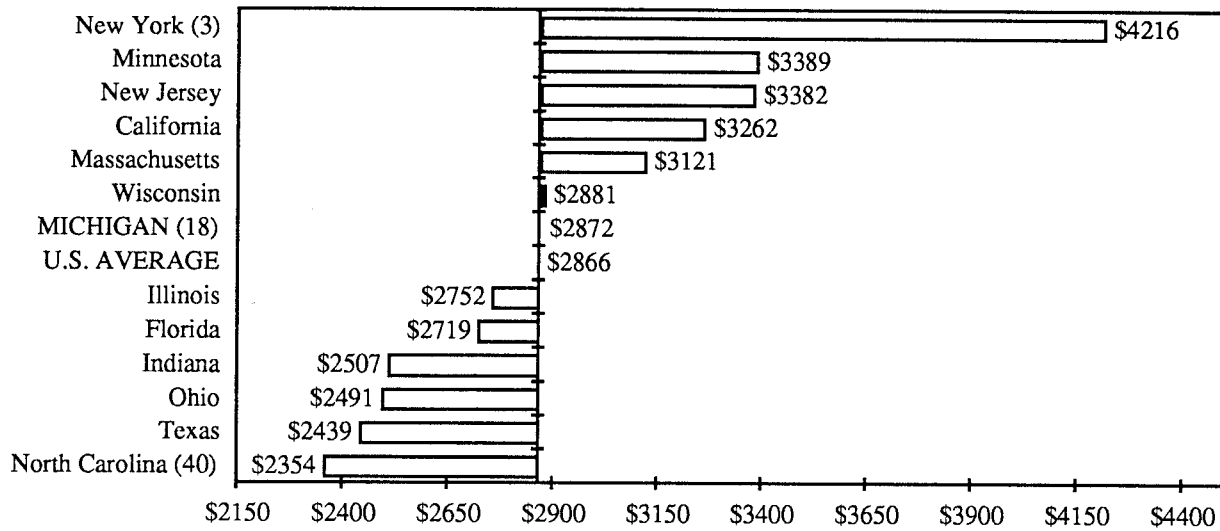


EXHIBIT 14

State-Local General Revenue per \$1,000 Personal Income (Own Source)

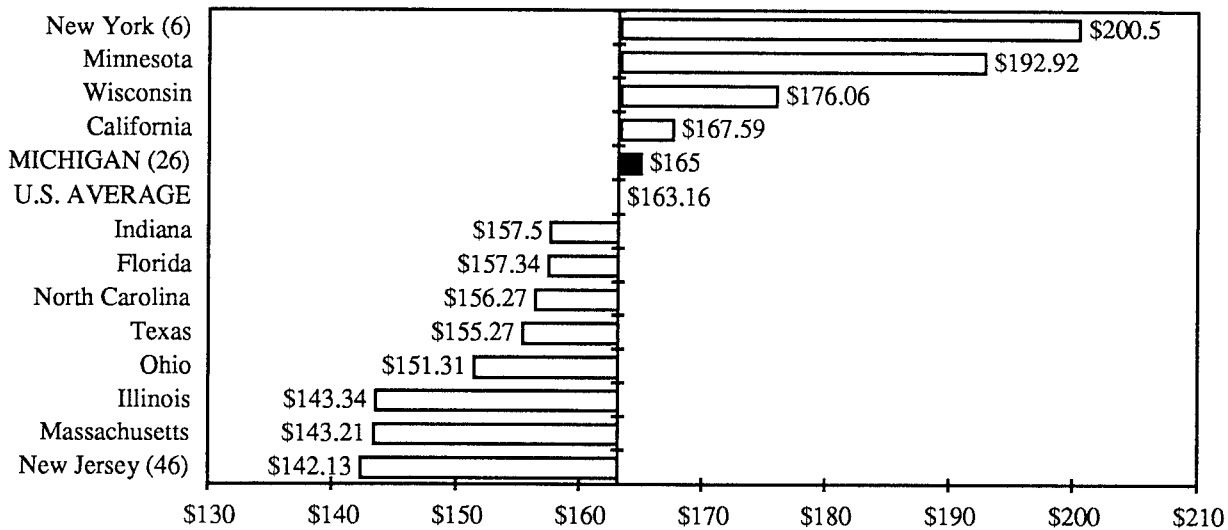


EXHIBIT 15

Per Capita State-Local Property Tax

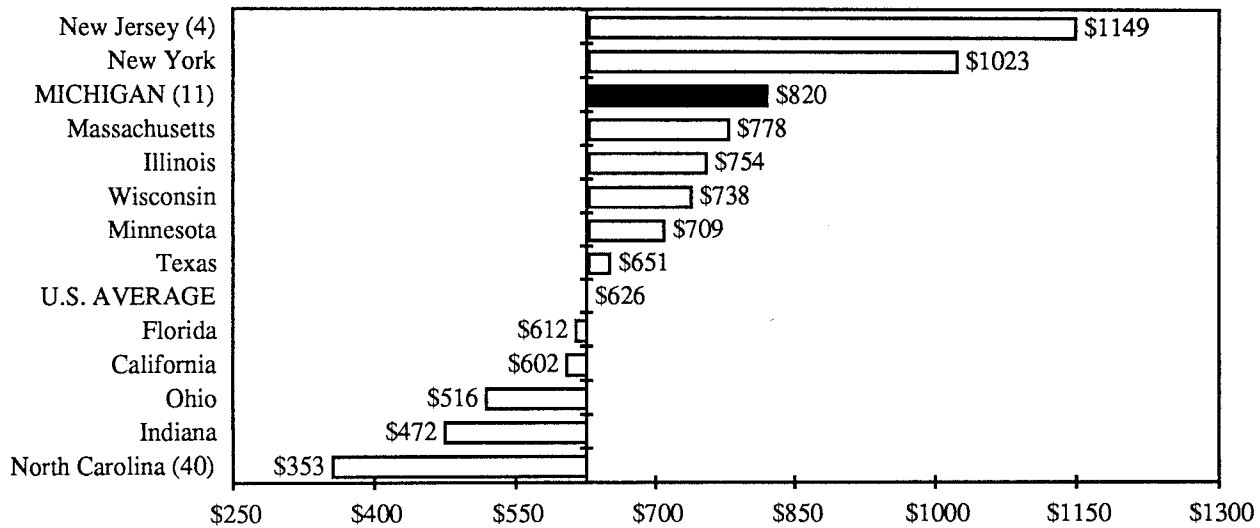


EXHIBIT 16

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

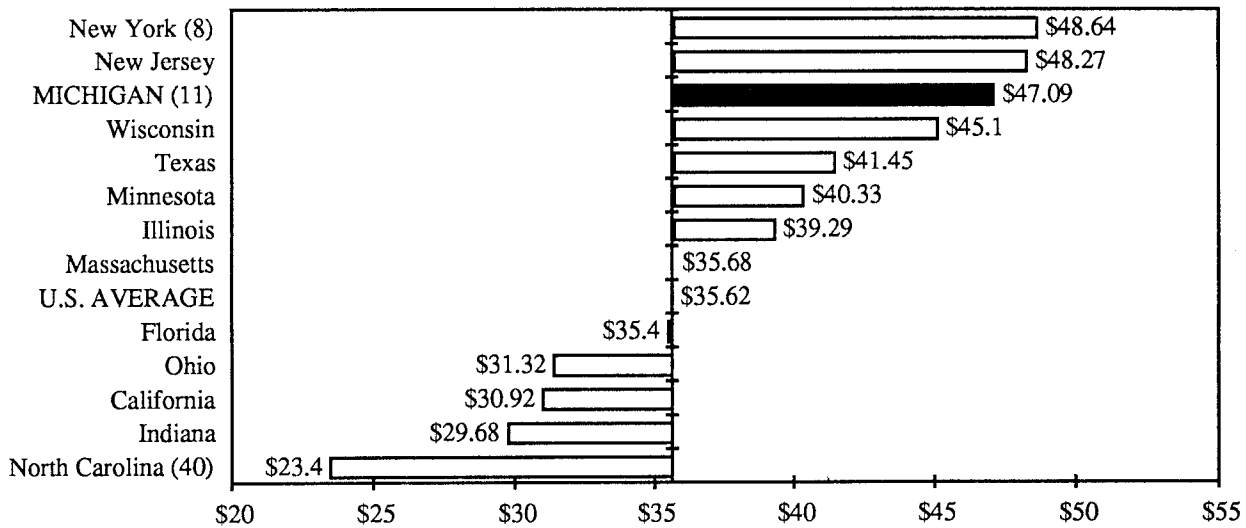


EXHIBIT 17
Per Capita State-Local Income Tax

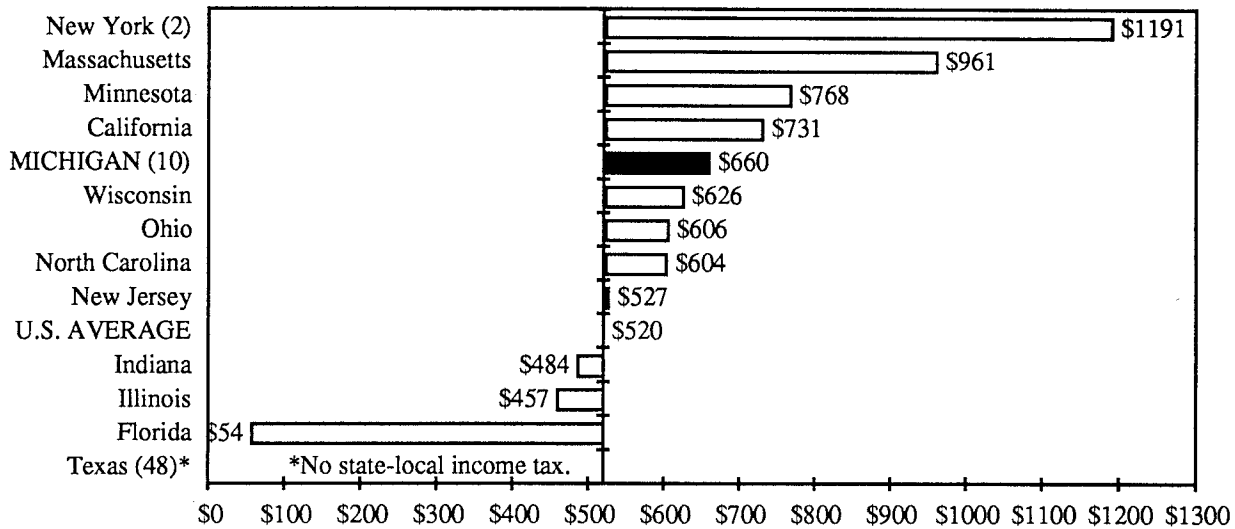


EXHIBIT 18
State-Local Tax per \$1,000 Personal Income

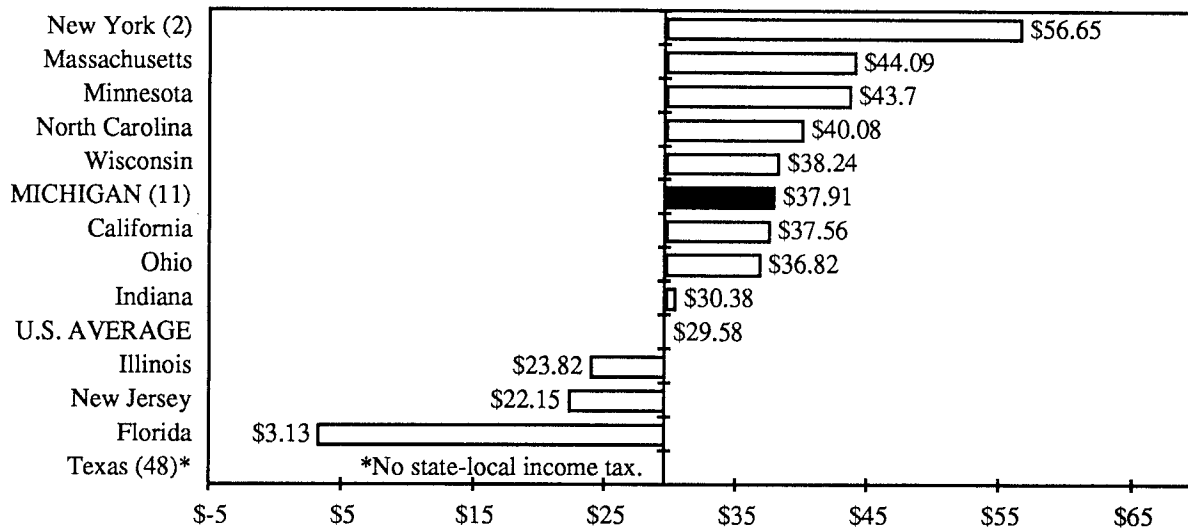


EXHIBIT 19
Per Capita State-Local Sales Tax

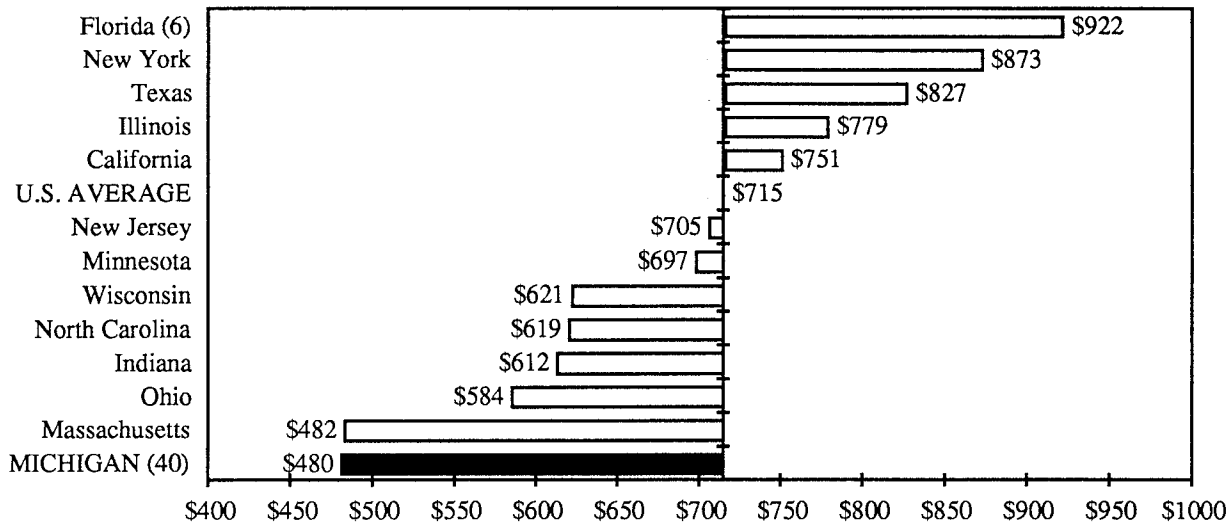


EXHIBIT 20
State-Local Sales Tax per \$1,000 Personal Income

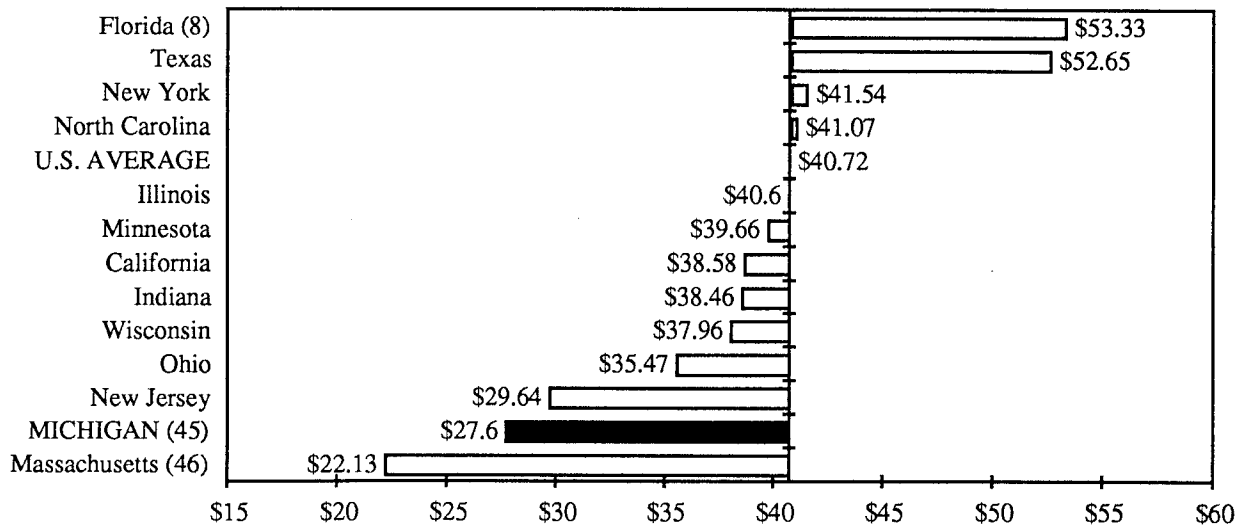


EXHIBIT 21
Per Capita State-Local Federal Aid

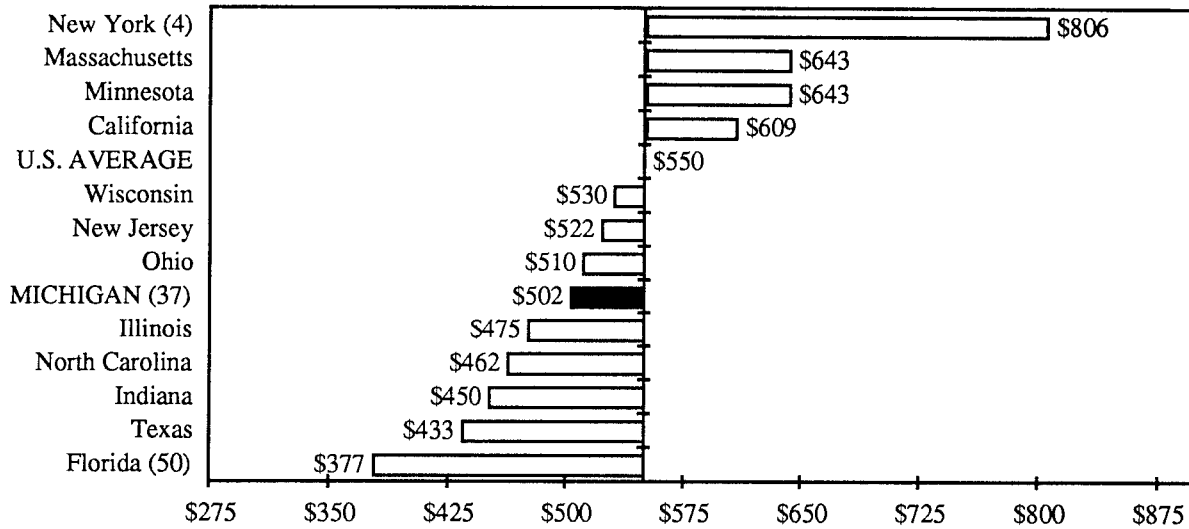


EXHIBIT 22
State-Local Federal Aid
Per \$1,000 Personal Income

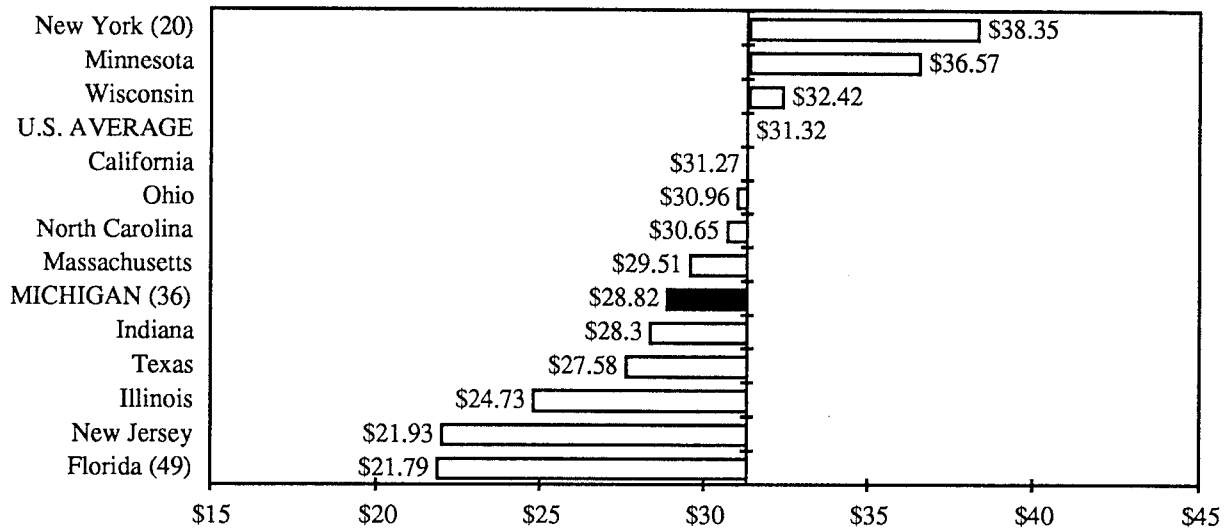


EXHIBIT 23

Per Capita State General Expenditures

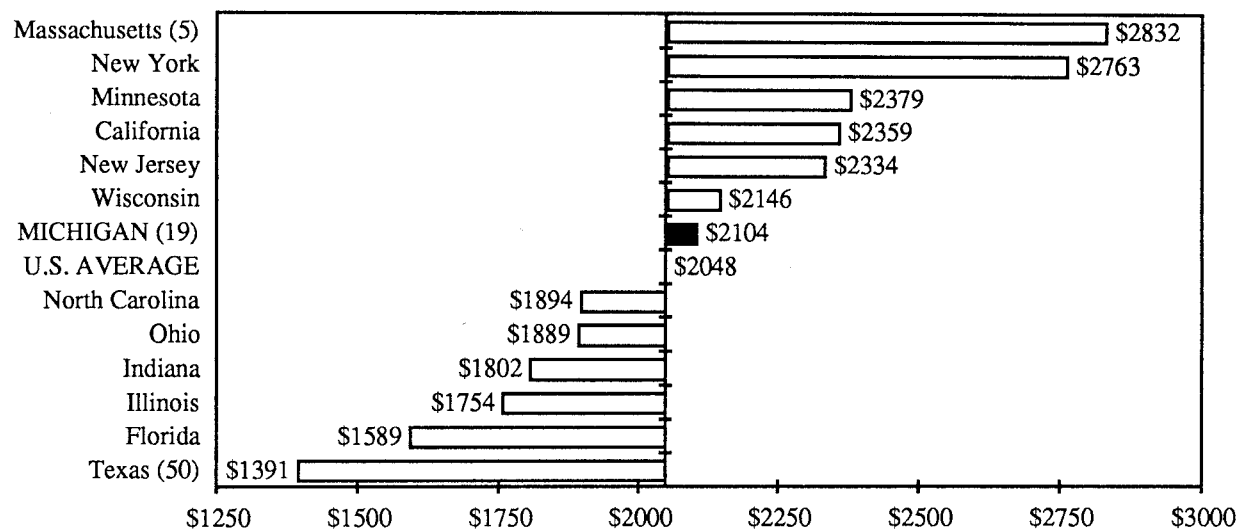


EXHIBIT 24

State General Expenditures per \$1,000 Personal Income

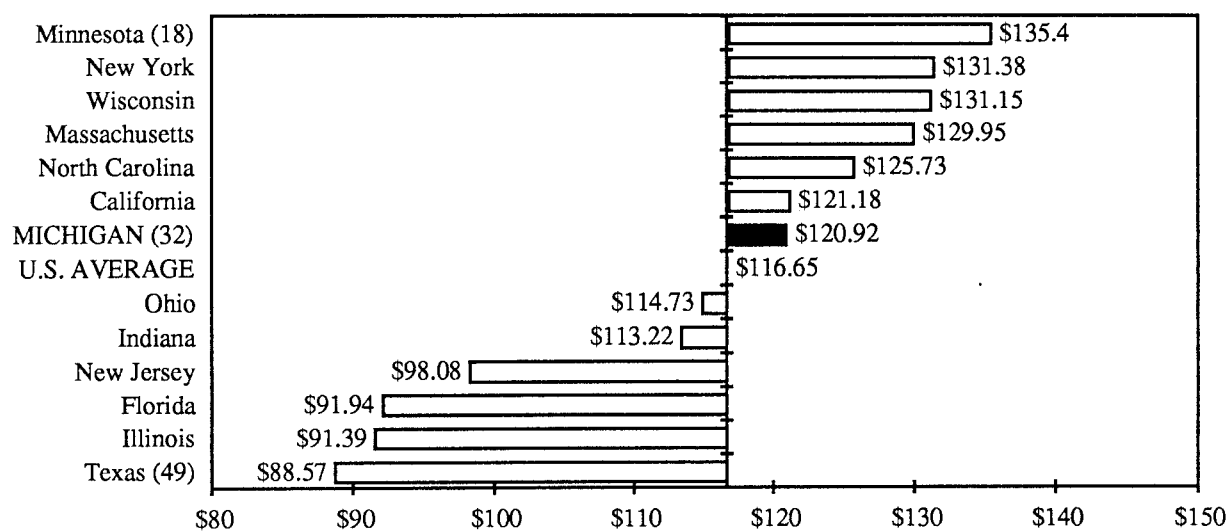


EXHIBIT 25

Per Capita State General Revenue (Own Source)

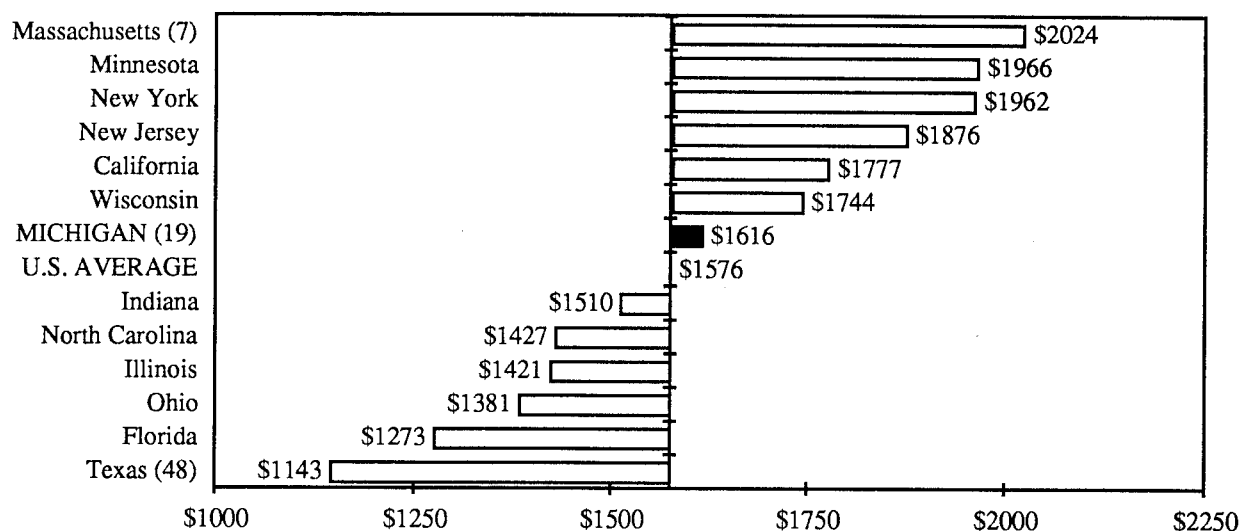


EXHIBIT 26

State General Revenue per \$1,000 Personal Income (Own Source)

