



PUBLIC POLICY ADVISOR

Michigan Expenditures and Revenues: Comparisons with Other States, FY 1987-88

by Robert Kleine, Frances Spring, and Archana Rajendra

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 *Governmental Finances in 1987-88* and *State and Government Finances, 1988*.

The exhibits in this report include FY 1987-88 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 the highest and lowest ranking 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. Using the per capita measure, Michigan is 5.4 percent above the U.S. average (down from 7.8 percent in FY 1986-87); using the personal income measure, Michigan is 9.3 percent above the U.S. average (up from 6.4 percent). (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.)

Growth in per capita state-local spending for FY 1987-88 was greater than in recent years in all categories except interest on state debt, which fell by 1.3 percent. Michigan's state-local per capita spending on health and hospitals rose by 10.1 percent, on education by 9.6 percent, on highways by 5.6 percent, and on welfare by 3 percent. (The previous year's rates of increase ranged from 2.2 to 3.2 percent except for the debt category, where spending rose by 11.7 percent.) Although the increase in per capita educational expenditures was significant enough to raise its rank from 7th to 3d among the states (and the District of Columbia), the rise in per capita spending on highways was not enough to prevent the state's rank in this expenditure category to fall from 41st to 45th. The level of per capita educational expenditures was 22.5 percent above the U.S. average, while the per capita spending level for highways was 21.2 percent below the national average.

Changes in state-local expenditures per \$1,000 of personal income were smaller than the per capita increases, primarily due to the strength of the economy during the 1987-88 fiscal year relative to the slow growth in spending. State-local expenditures per \$1,000 of personal income fell in the debt and welfare categories (by 5.7 percent and 1.3 percent, respectively) and increased in the categories of health and hospitals (5.5 percent), education (4.8 percent), and highways (1.1 percent).

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. Both measures are 5 percent above the U.S. average using the per capita

measure, the burden ranks 14th nationally; using the personal income measure, the burden ranks 20th. (See exhibits 13 and 14.) Michigan ranks high in property tax (9th, the same rank as in FY 1986-87), and income tax (8th, up from 12th in the previous year) burdens and low in sales tax burden (45th, the same as in FY 1986-87) when measured per \$1,000 of personal income. (See exhibits 15-20.) The property tax measure was 33.2 percent above the national average and the income tax burden 38.1 percent higher, while the sales tax measure was 42.6 percent below the U.S. average. Overall, Michigan state-local general revenue per \$1,000 of personal income fell by 0.6 percent. Within categories, a 2.4 percent decline was experienced in sales tax revenues, and rises were experienced in the property and income tax categories (2.5 percent and 6.4 percent, respectively).

State-local revenues from federal sources decreased whether measured in per capita terms (which experienced a 3.8 percent decline) or per \$1,000 of personal income (which fell 7.9 percent). (See exhibits 21 and 22.) Federal revenues also declined relative to other states (in terms of both measures) with state-local federal aid per capita declining in rank from 19th to 21st and per \$1,000 of personal income from 26th to 28th. Both measures were 3.1 percent above 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 ranks lower in state spending and state tax burden than for state-local spending and taxation, although the gap appears to be narrowing. For example, Michigan ranks 22d among the states on state general expenditures per \$1,000 of personal income compared with a rank of 16th for state-local expenditures. (Last year, state spending ranked 28th and state-local spending 19th.) The higher state-local figures are 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 and the relative low level of state support for K-12 education. State expenditures per \$1,000 of personal income increased by 4.4 percent from 1986-87 to 1987-88 compared with a 0.2 percent rise nationally. State revenues per \$1,000 of personal income increased slightly, rising 0.9 percent during the same period, compared to a 0.5 percent decline 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, the high priority placed on education is reflected in the growth in and level of state-local per capita expenditures for this purpose (Michigan currently ranks 3d nationally). Michigan's high property tax burden and low sales tax burden may lead one to conclude that an increase in the sales tax (rate or base) to finance property tax relief would be a good idea. 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

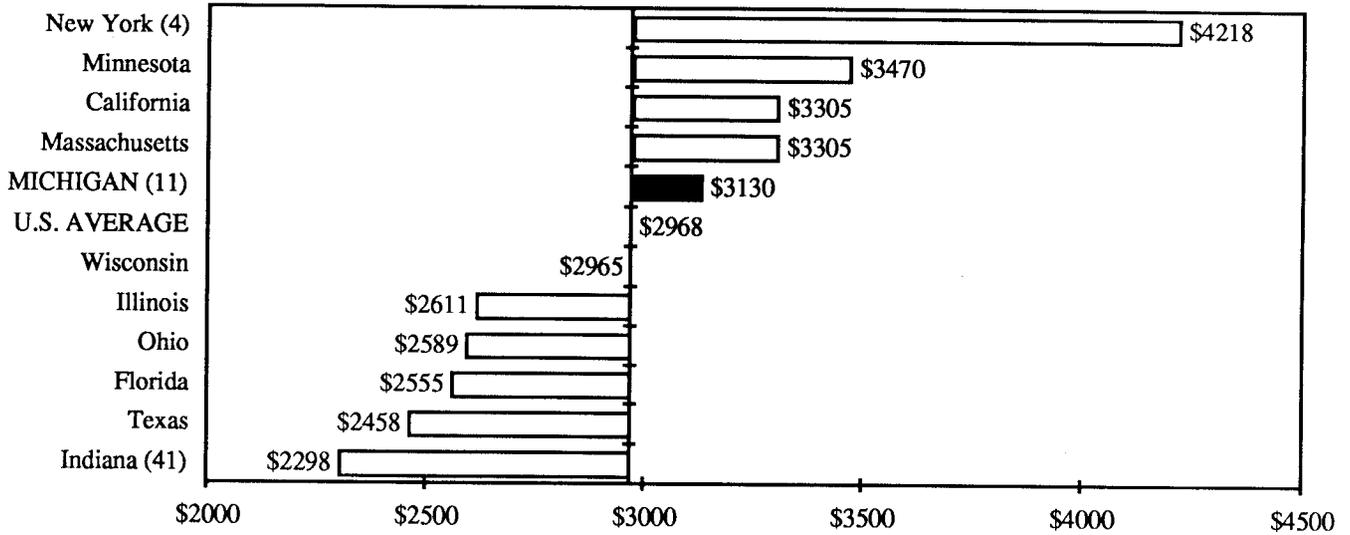


EXHIBIT 2
State-Local General Expenditures
Per \$1,000 Personal Income

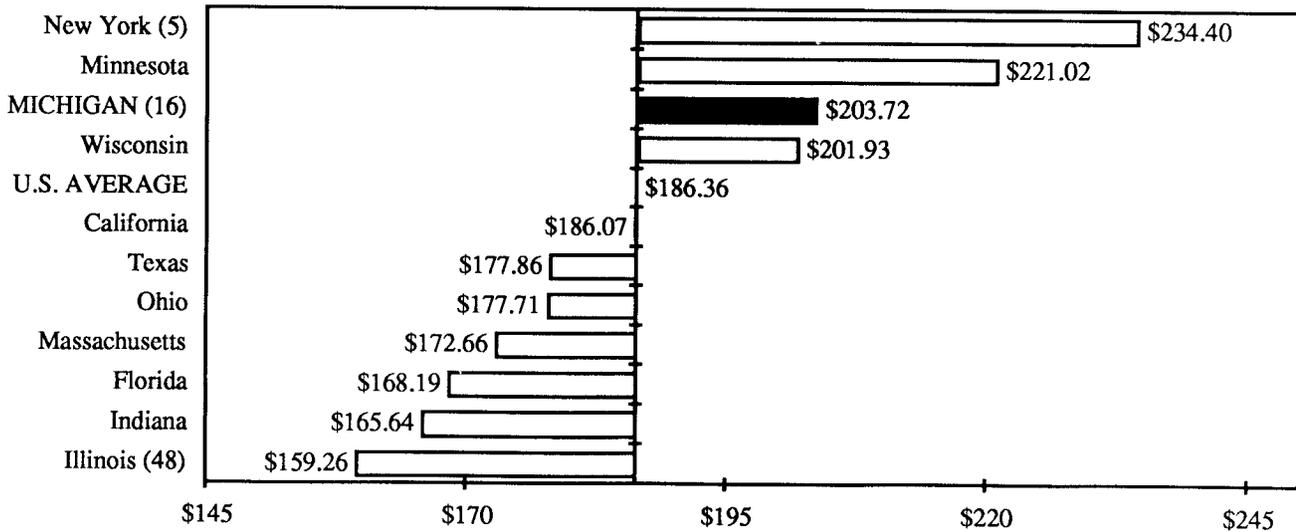


EXHIBIT 3
Per Capita State-Local Education Expenditures

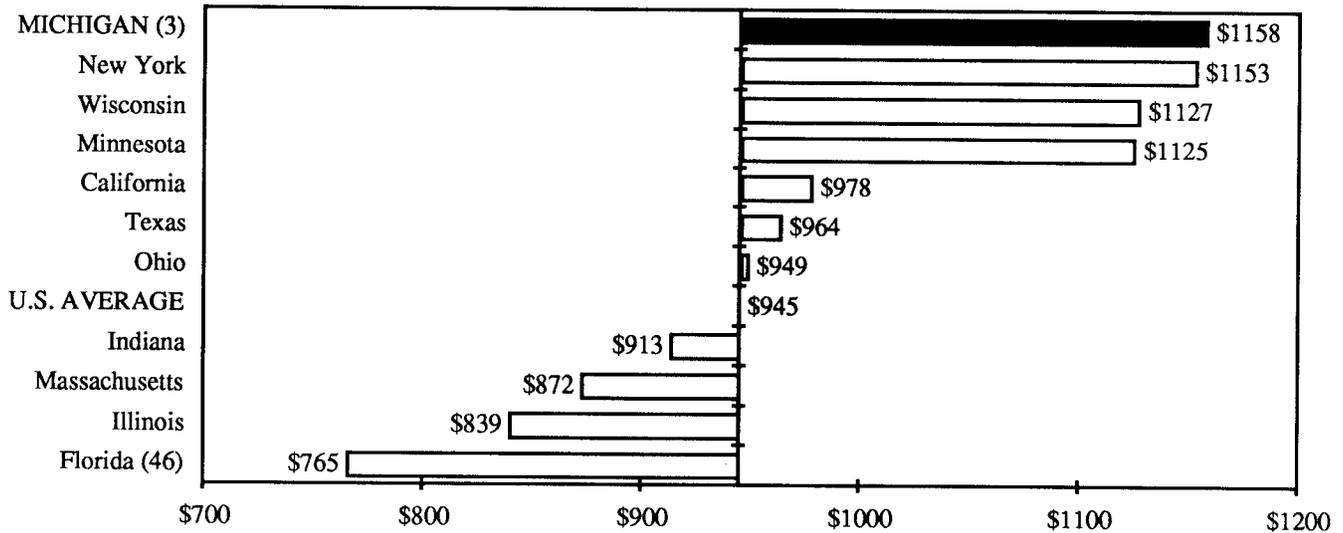


EXHIBIT 4
State-Local Education Expenditures
Per \$1,000 Personal Income

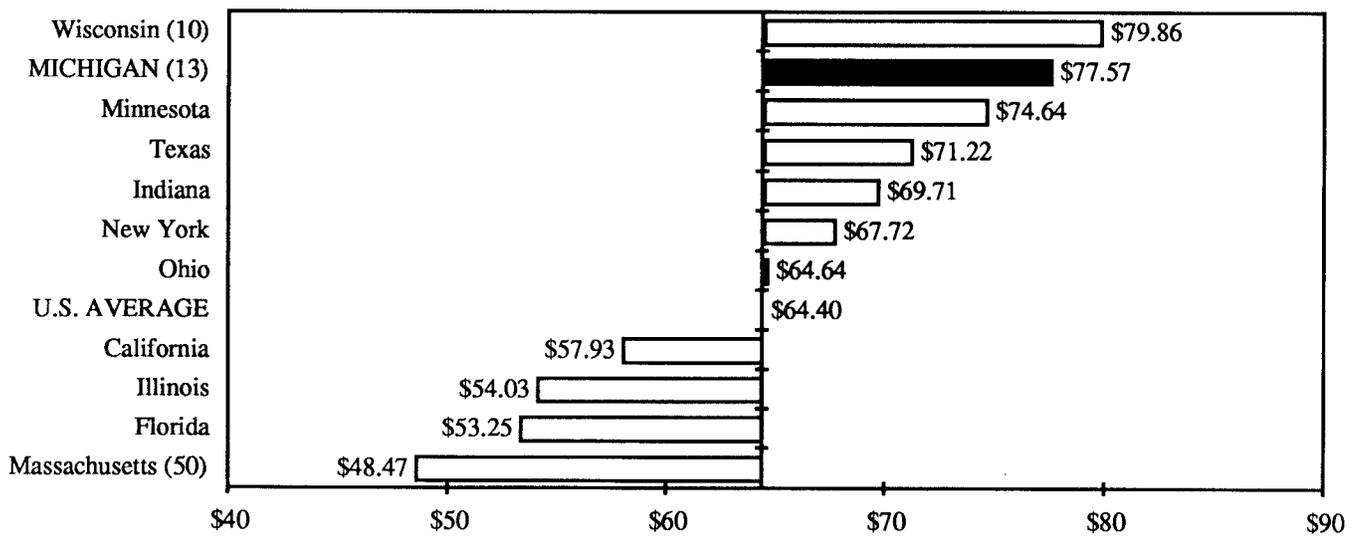


EXHIBIT 5
Per Capita State-Local Welfare Expenditures

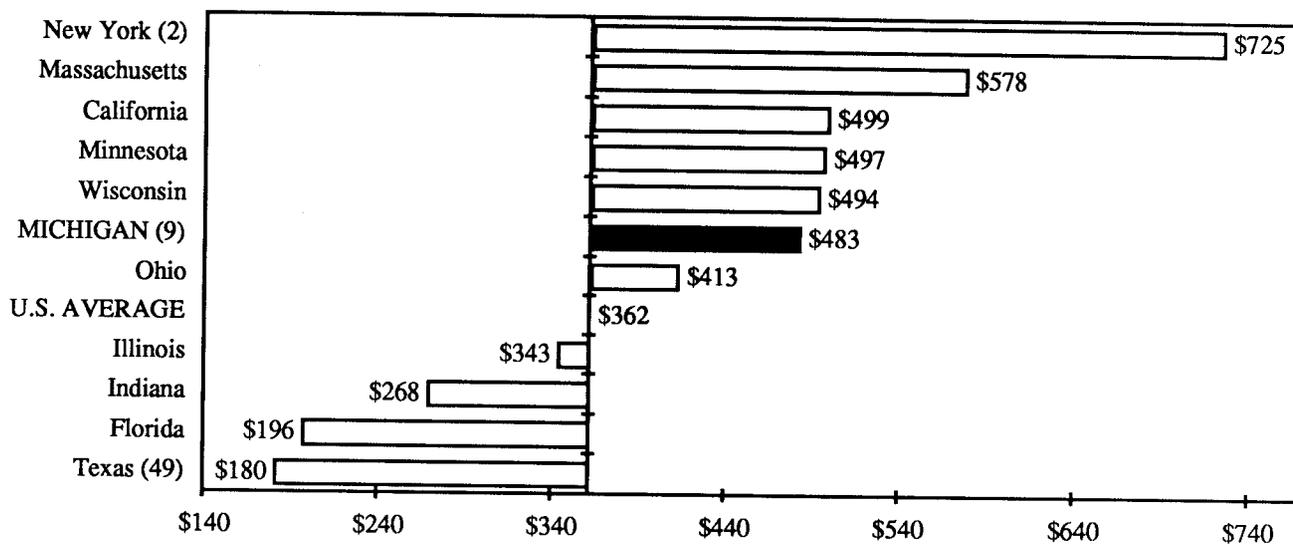


EXHIBIT 6
State-Local Welfare Expenditures
Per \$1,000 Personal Income

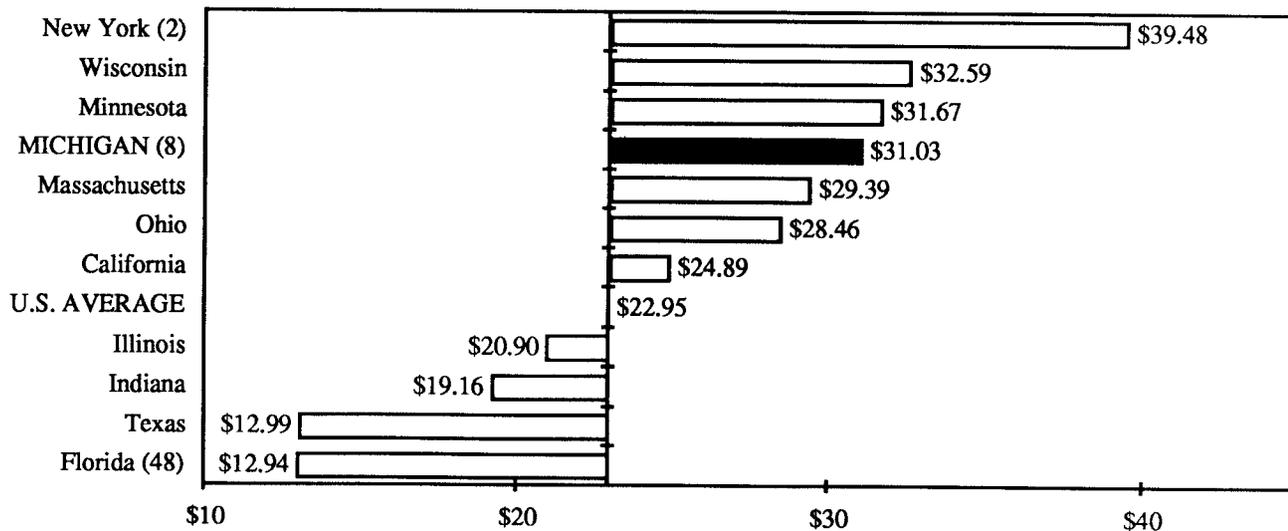


EXHIBIT 7

Per Capita State-Local Health and Hospital Expenditures

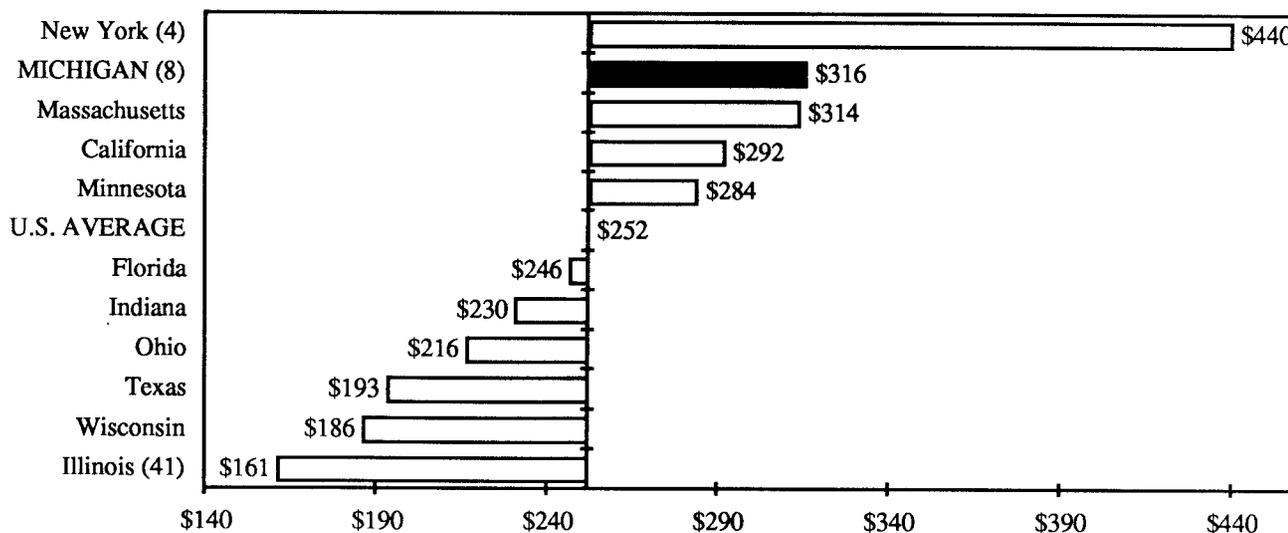


EXHIBIT 8

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

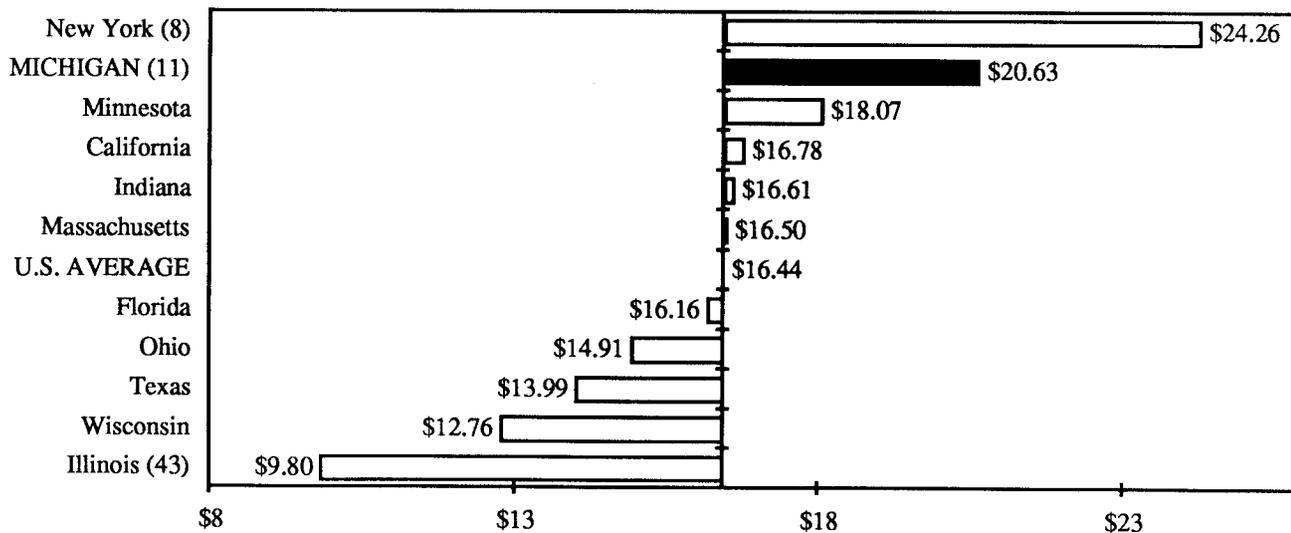


EXHIBIT 9
Per Capita State-Local Highway Expenditures

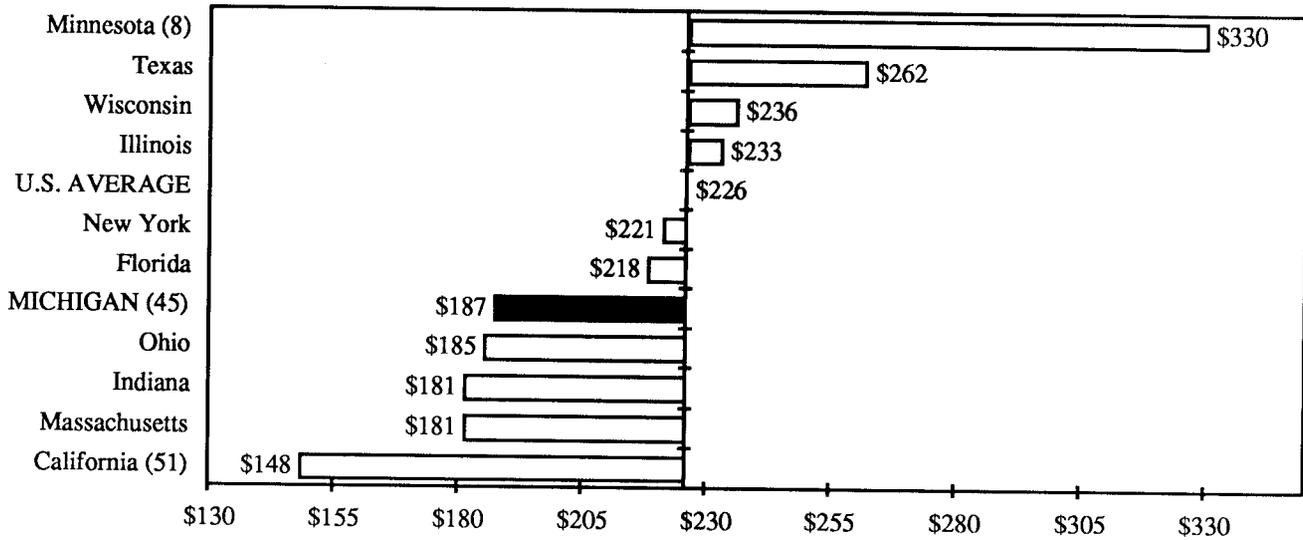


EXHIBIT 10
State-Local Highway Expenditures
Per \$1,000 Personal Income

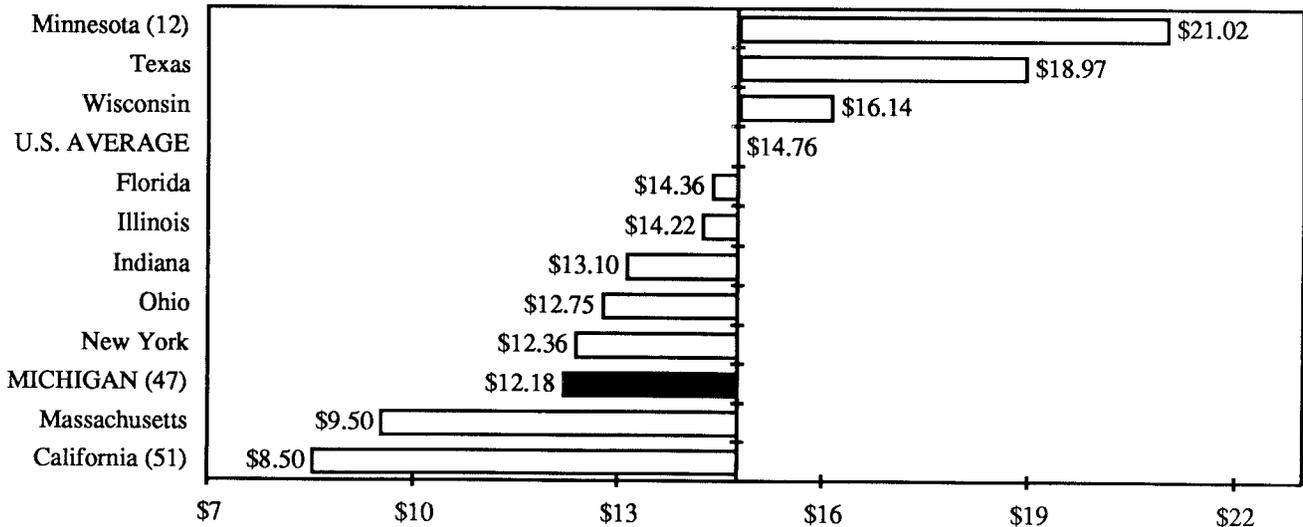


EXHIBIT 11
Per Capita State-Local Interest (Debt) Expenditures

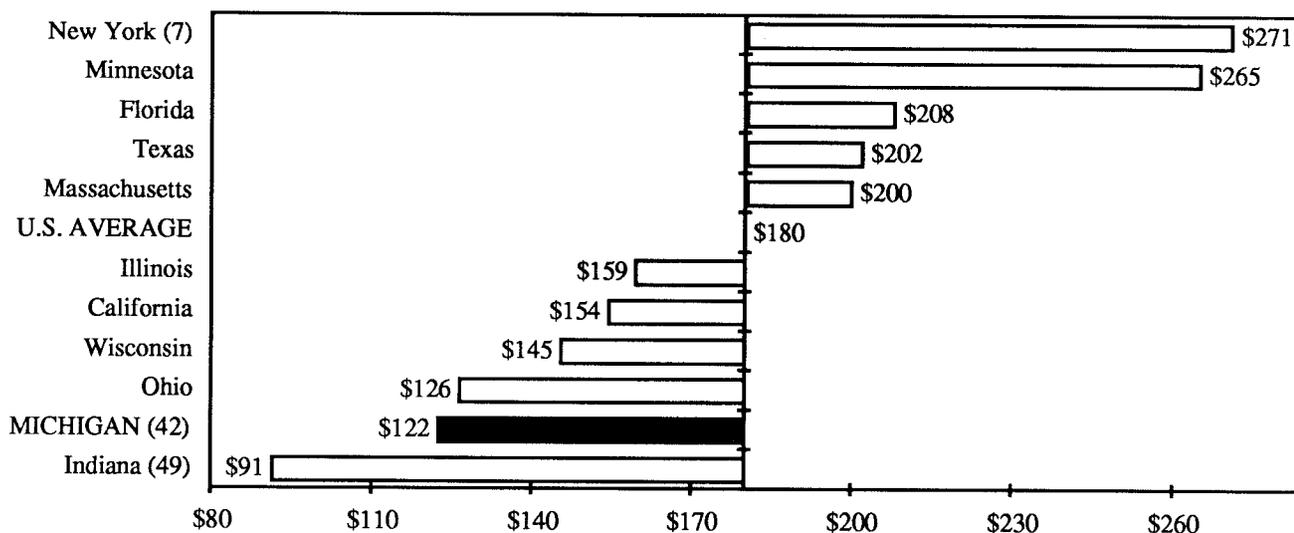


EXHIBIT 12
State-Local Interest (Debt) Expenditures
Per \$1,000 Personal Income

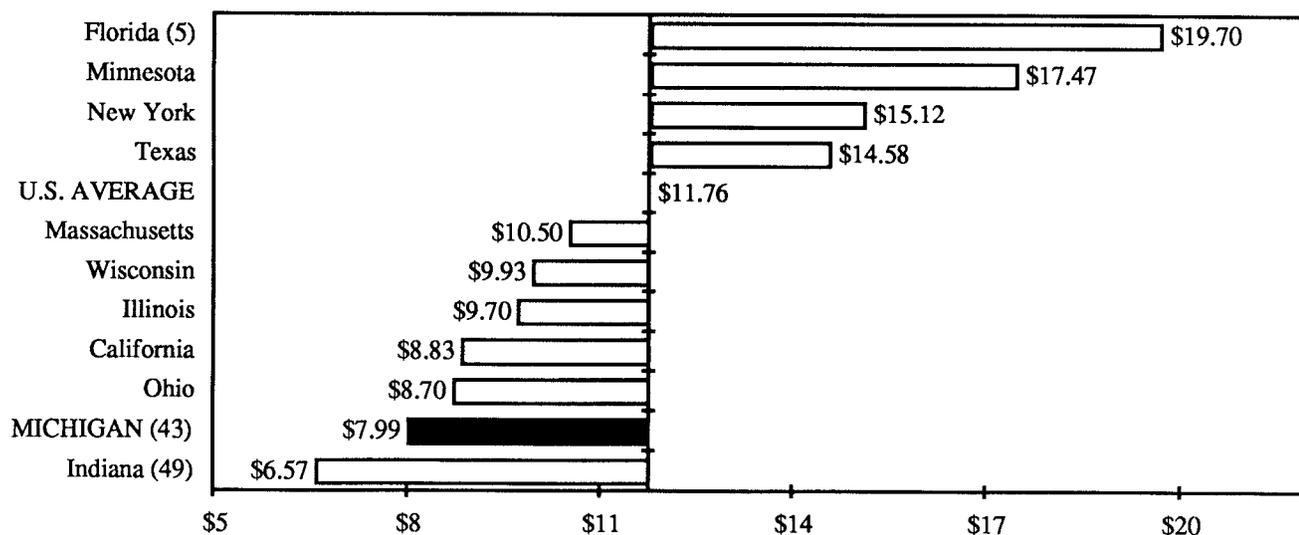


EXHIBIT 13
Per Capita State-Local General Revenue

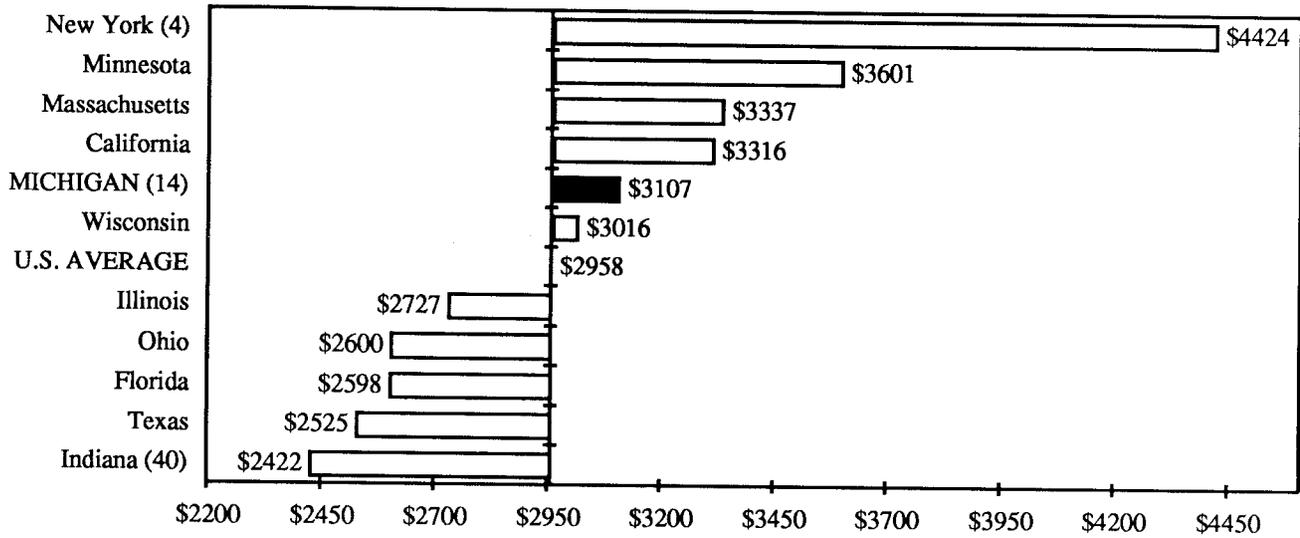


EXHIBIT 14
State-Local General Revenue Per \$1,000 Personal Income

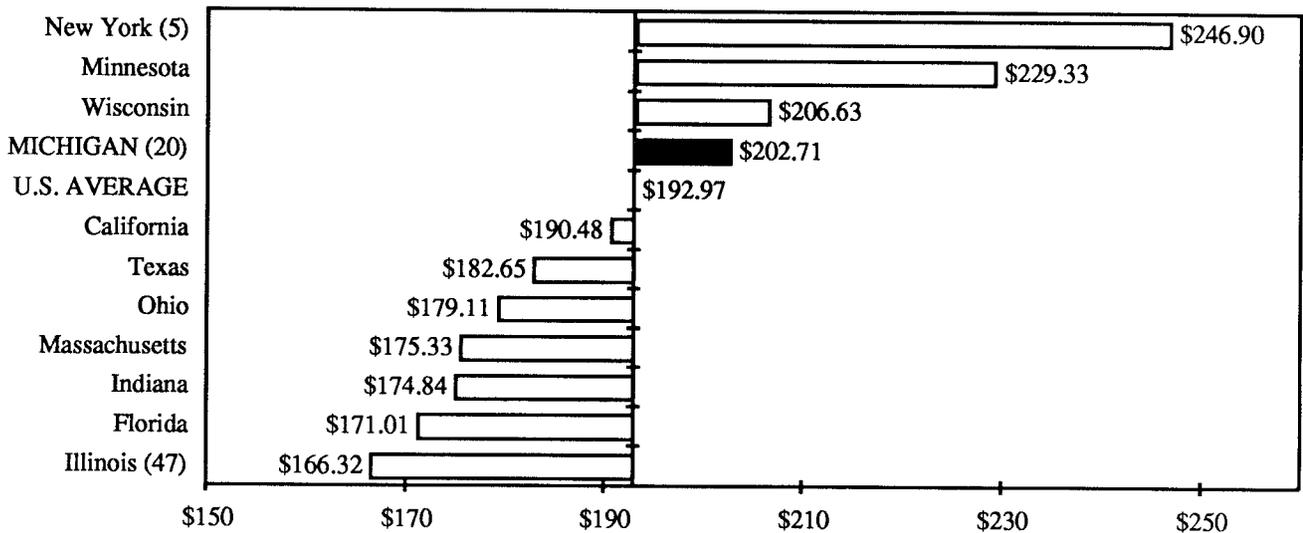


EXHIBIT 15
Per Capita State-Local Property Tax

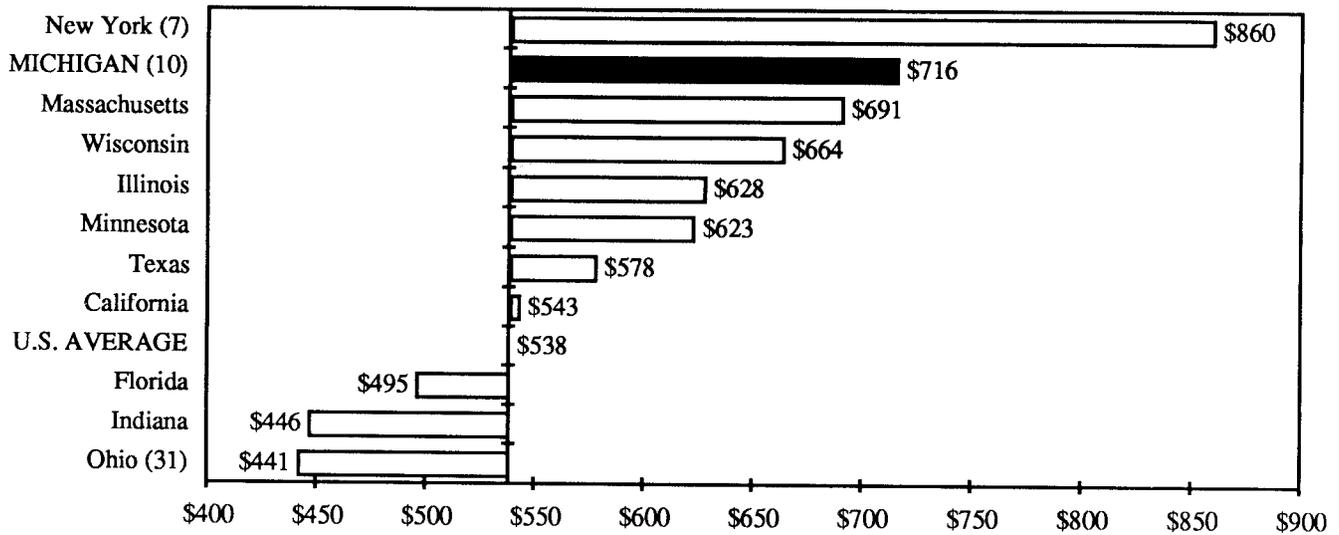


EXHIBIT 16
State-Local Property Tax
Per \$1,000 Personal Income

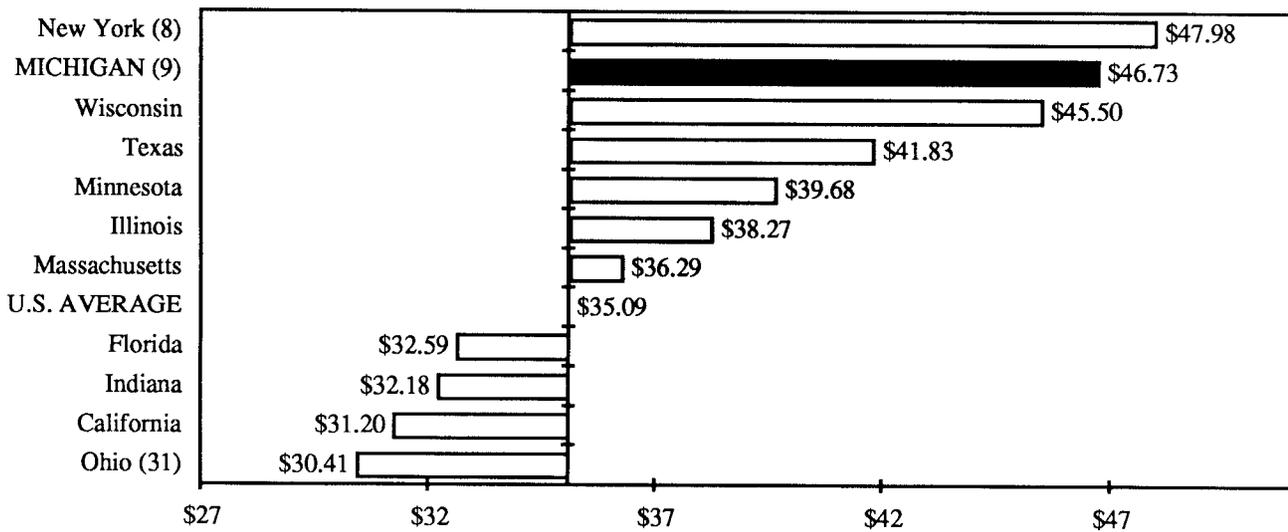


EXHIBIT 17
Per Capita State-Local Income Tax

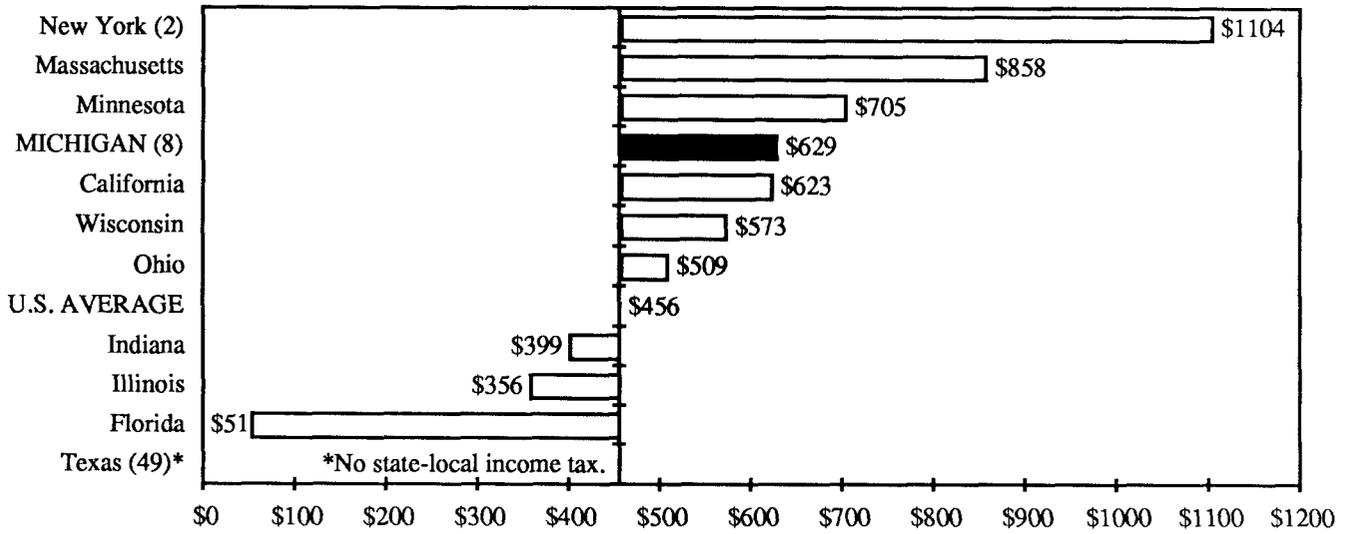


EXHIBIT 18
State-Local Income Tax
Per \$1,000 Personal Income

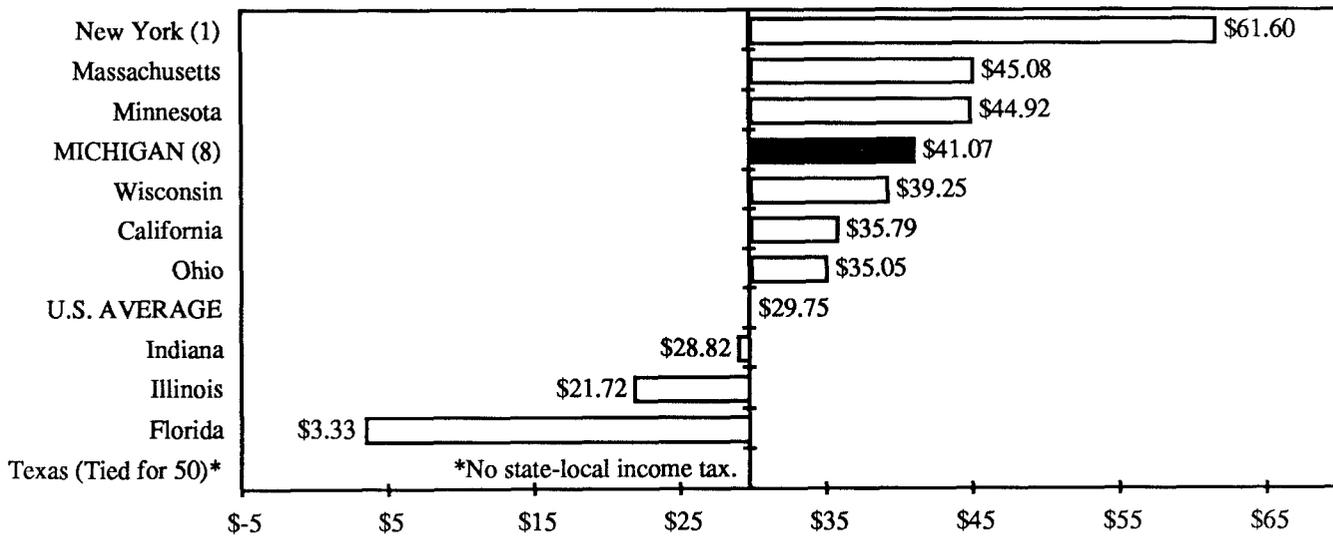


EXHIBIT 19
Per Capita State-Local Sales Tax

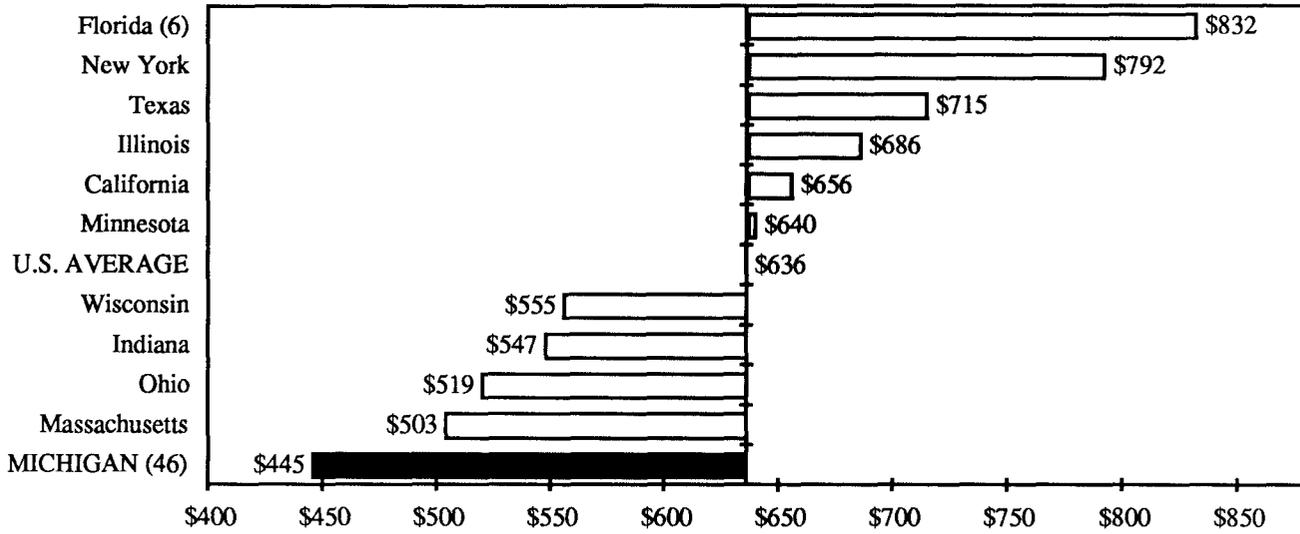


EXHIBIT 20
State-Local Sales Tax
Per \$1,000 Personal Income

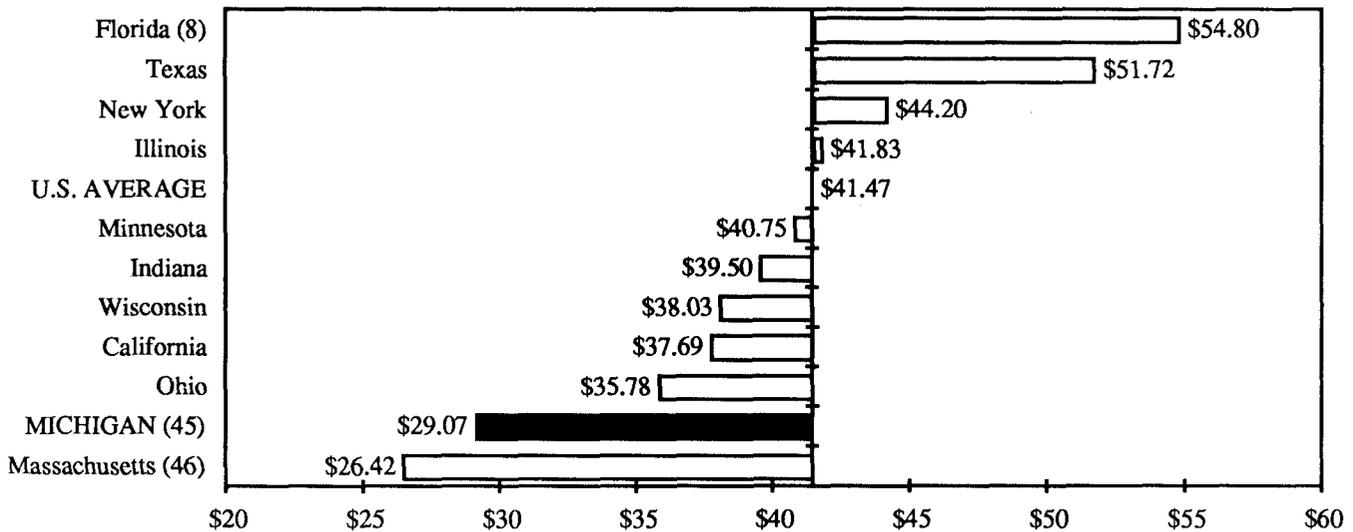


EXHIBIT 21
Per Capita State-Local Federal Aid

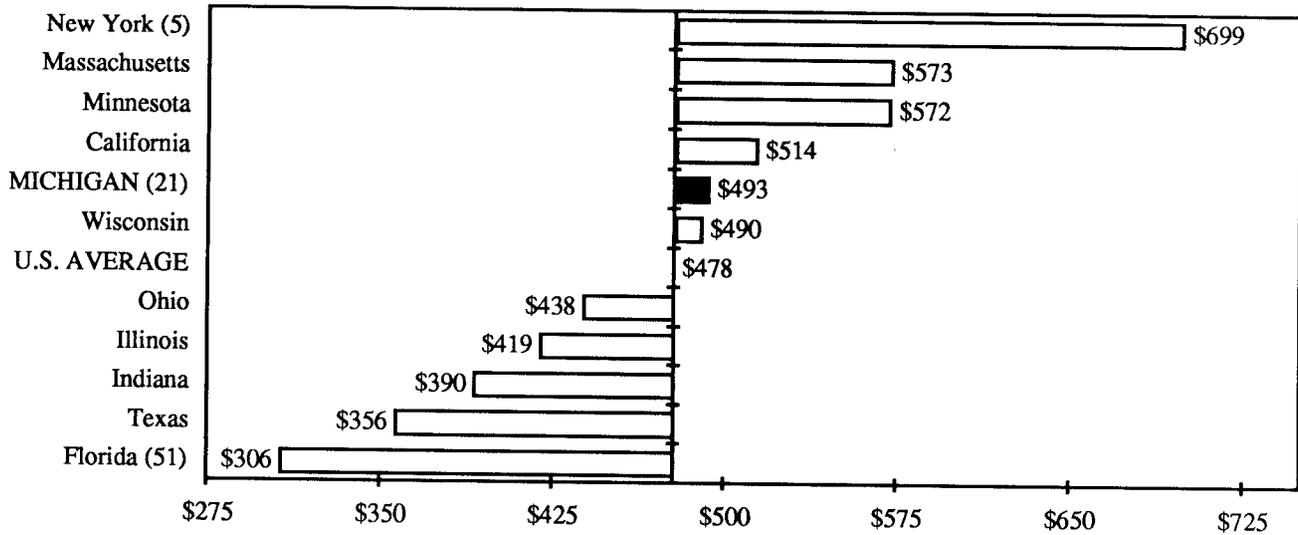


EXHIBIT 22
State-Local Federal Aid
Per \$1,000 Personal Income

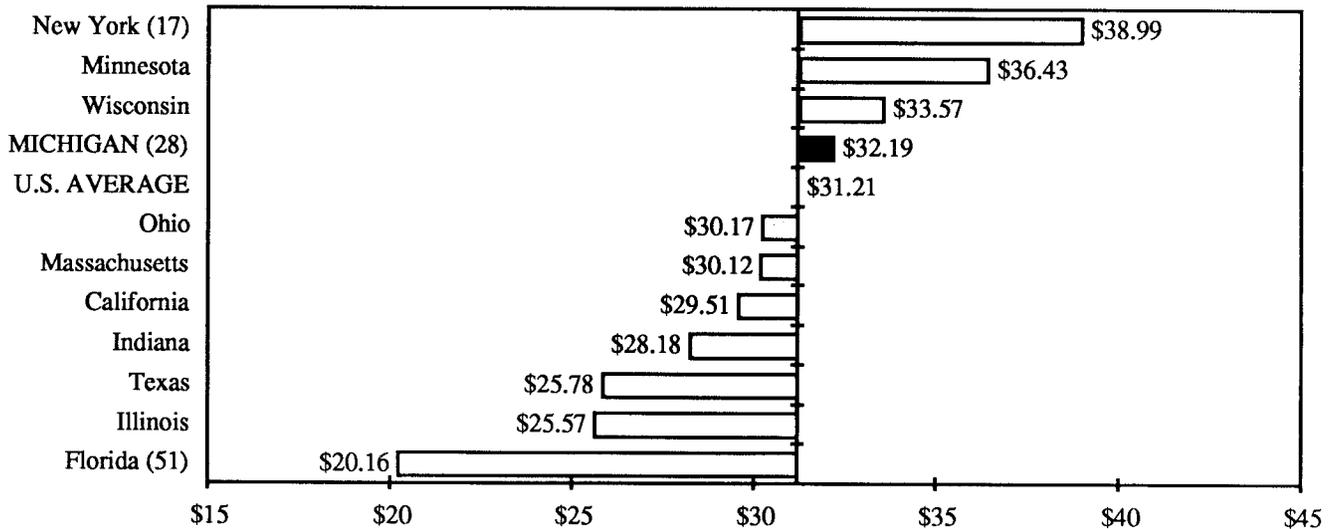


EXHIBIT 23
Per Capita State General Expenditures

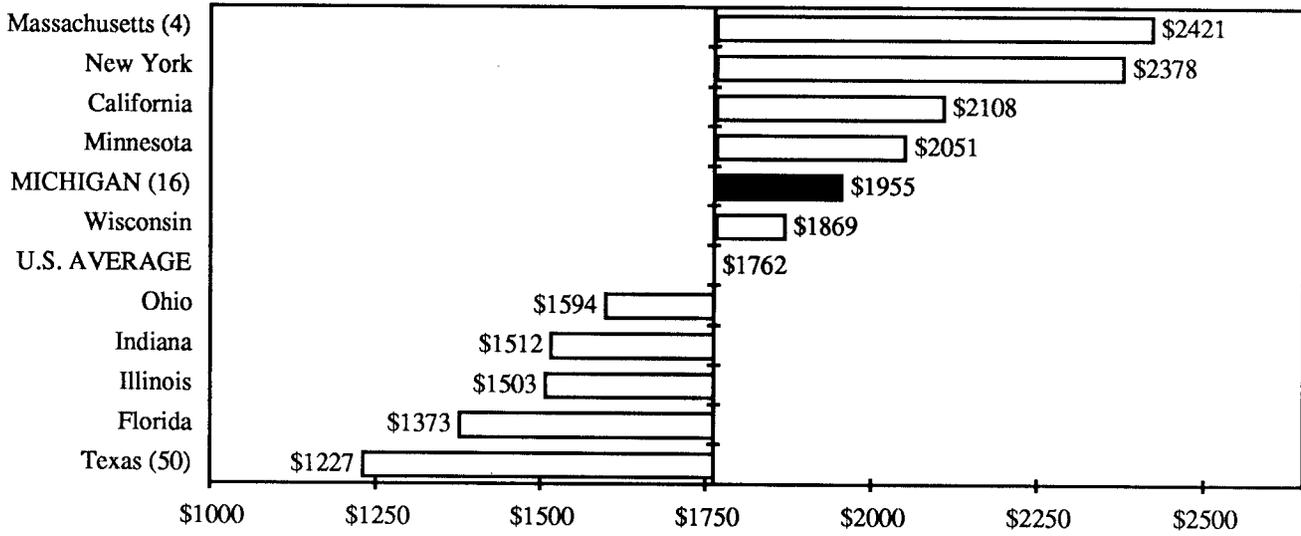


EXHIBIT 24

**State General Expenditures
 Per \$1,000 Personal Income**

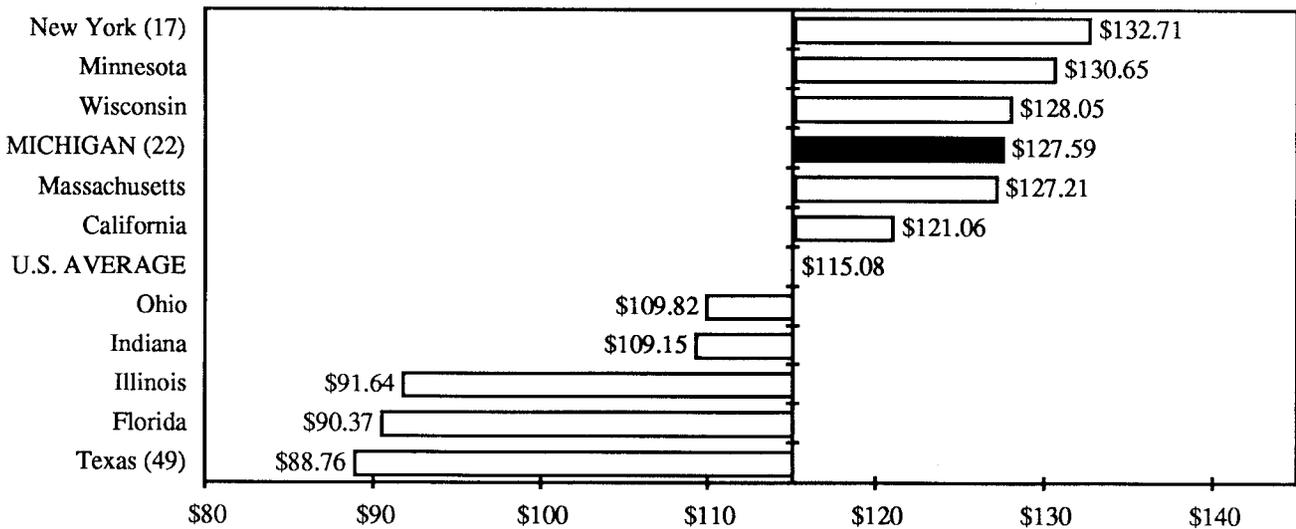


EXHIBIT 25
Per Capita State General Revenue

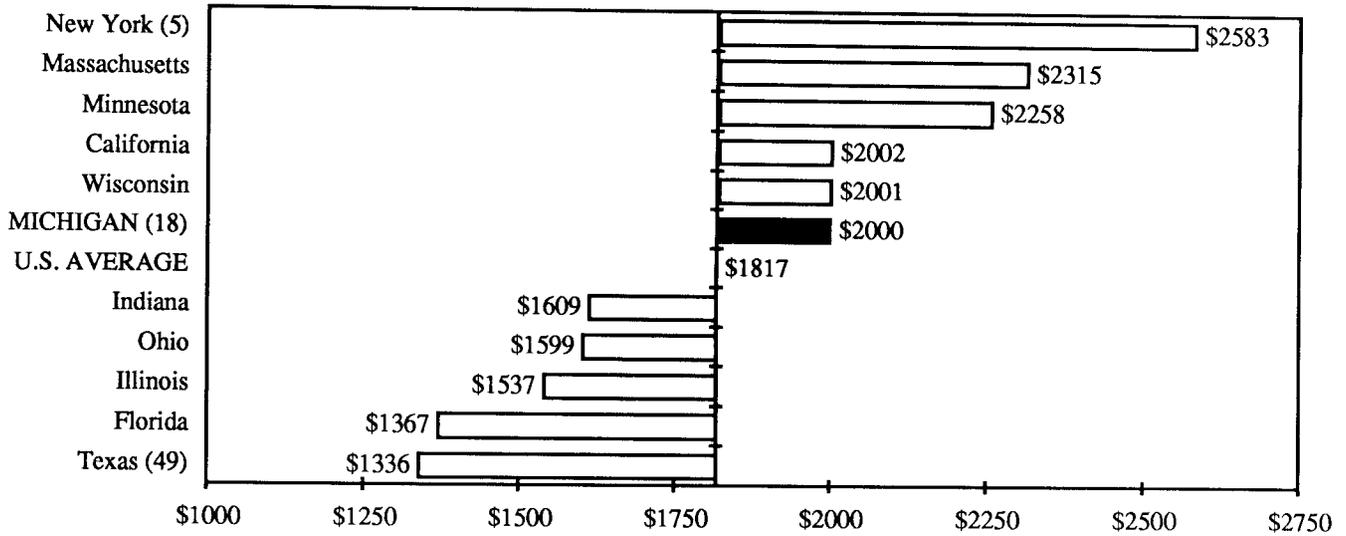
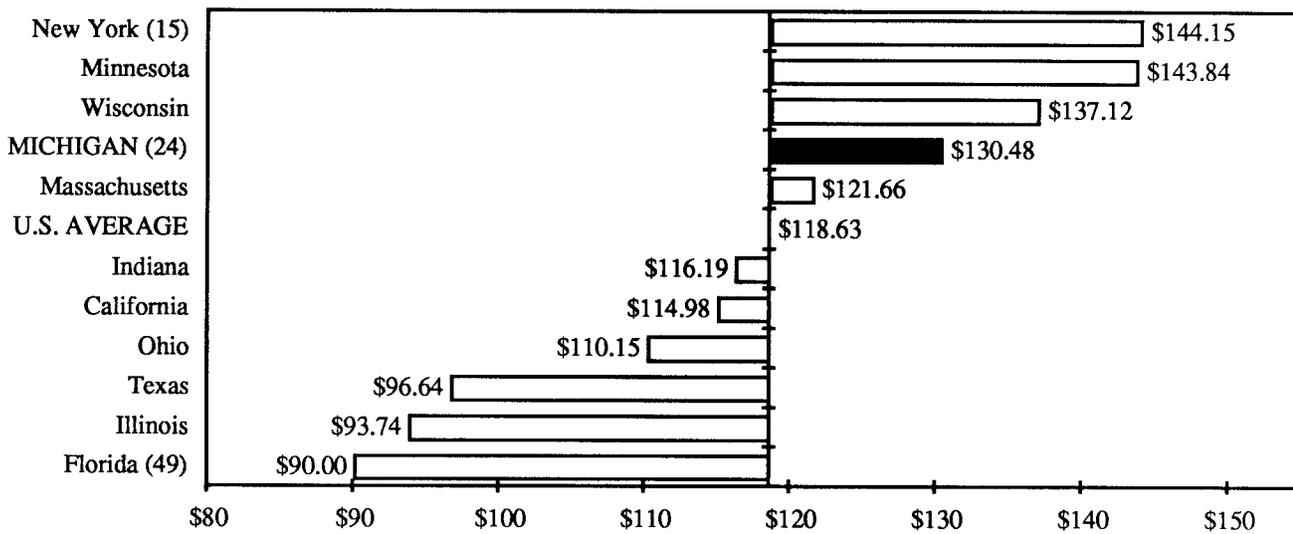


EXHIBIT 26
State General Revenue
Per \$1,000 Personal Income



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