



PUBLIC POLICY ADVISOR

Michigan Expenditures and Revenues: Comparisons with Other States, FY 1990-91

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INTRODUCTION

The U.S. Bureau of the Census recently released its preliminary data on federal, state, and local finances for FY 1990-91. (Final numbers are expected in early May and should closely resemble preliminary data.) This report uses selected preliminary data to compare Michigan expenditures and revenues to those of twelve other states and the national average. Rankings among the fifty states (and the District of Columbia for state and local data) are included for Michigan and for the highest and lowest ranking state for each indicator. These ranks are found in parentheses next to the state's name in each exhibit.

The data show some significant changes since the mid-1980s and some minor changes from FY 1989-90. Michigan is no longer the high tax and spending state that it was in previous decades. As discussed below, Michigan is now only slightly above average in its overall taxation and spending. The change has been particularly dramatic since FY 1985-86, the peak year in the 1980s. As shown in the table below, Michigan's

**Michigan State-Local Revenue and Expenditure Comparisons,
 FY 1985-86 and FY 1990-91**

State-Local Own-Source Revenue	FY 1985-86			FY 1989-90			FY 1990-91 ¹		
	Percent of Personal Income	Percent of U.S. Average	Rank	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	2.44	104.20	NA
Sales tax	3.09	75.8	44	2.76	67.8	45	2.66	67.2	44
Property tax	4.80	142.5	6	4.70	132.2	11	4.90	134.4	NA
TOTAL	17.50	109.4	14	16.50	101.1	26	16.00 ²	101.7	NA
State-Local Expenditures									
Education	7.64	119.9	15	7.32	110.9	23	7.6	114.3	18
Welfare	3.31	146.7	6	2.85	115.8	10	3.0	111.1	11
Health/Hospitals	2.06	126.9	10	2.03	118.8	13	2.0	116.7	14
Highways	1.28	85.8	42	1.15	82.3	47	1.1	81.8	47
TOTAL	20.51	112.3	16	19.25	101.1	28	19.7	101.7	26

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."

¹Preliminary.

² Adjusted for change in accounting treatment of tax credits.

own-source revenues have declined from about 9 percent above the national average in the mid-1980s to almost 2 percent above the national average in FY 1990–91.¹ Tax revenues as a share of personal income fell to 16 percent in FY 1990–91 from 17.5 percent in FY 1985–86 and 16.5 percent in the previous year.

State-local expenditures have fallen as well. While Michigan's expenditures relative to personal income are still above the national average, they fell slightly in FY 1990–91 to 19.7 percent from the mid-1980 level of 20.5 percent.² The decline in spending was much more pronounced when compared to the national average, falling from 112.3 percent of the national average in FY 1985–86 to 101.7 percent in FY 1990–91. This indicates that while Michigan has slightly lowered its expenditures, other states have been raising theirs.

Michigan's tax revenues and expenditures have fallen steadily since FY 1985–86, but it is uncertain whether the trend will continue. Based on data from FY 1989–90, it appeared that Michigan would soon be below the national average in both spending and taxation. New census data indicate, however, that this has not yet happened, and, in fact, Michigan's spending and taxation rose slightly from last year relative to the national average, due mainly to relatively large increases in local property tax revenue. Because property taxes were frozen in 1992 and state spending continued to be constrained, Michigan is likely to fall below the national average in FY 1992–93.

STATE-LOCAL GOVERNMENT EXPENDITURES

The attached exhibits show state-local expenditures for six types of spending in per capita terms and per \$1,000 of personal income. Using a per capita measure, Michigan spends \$445 less than the national average in FY 1990–91, down from spending equal to the national average in FY 1989–90. Using a personal income measure, Michigan spends slightly more, \$3.33, per \$1,000 of personal income than the national average in FY 1990–91, compared to \$2.07 more in the previous year. (See exhibits 1 and 2.)

Michigan continues to rank high in spending for education, welfare, health and hospitals and low in spending for highways and interest on debt. (See exhibits 3 to 12.) Compared to FY 1989–90, the state ranks slightly higher in education and health expenditures and lower on welfare expenditures. Compared to the national average, Michigan spends more per capita on education, welfare, and health and hospitals. State spending on highways is 20 percent below the national average, and spending on debt is 31 percent below the national average.

Per capita state-local spending was higher in all categories in FY 1990–91 than in FY 1989–90. Per capita spending rose faster between FY 1989–90 and 1990–91 than in the previous year for education, welfare, and highway spending. From FY 1989–90 to FY 1990–91, Michigan's per capita spending for interest on debt rose 11.5 percent; welfare, 11.3 percent; education, 8.8 percent; health and hospitals, 5.0 percent; and highways, 3.8 percent.

Expenditures relative to the state's wealth (measured by personal income) reveal a similar story. Michigan spent more per \$1,000 of personal income than the national average for education, welfare, and health and hospitals. Expenditures for these services were 16 percent, 11 percent, and 17 percent above the national average, respectively. Like per capita spending, the personal income measure shows that the state spent 20 percent less than the national average on highways and 31 percent less to pay off debts.

1 Own-source revenues exclude federal aid and include taxes (property, sales, and income) and charges and miscellaneous revenues (such as interest earnings).

2 Includes all direct general expenditures, including spending for education, social services, transportation, public safety, environment, housing, interest on debt, and government administration.

STATE-LOCAL REVENUES

The Michigan tax burden is slightly above the national average both per capita and per \$1,000 of personal income. (See exhibits 13 and 14.) Michigan own-source state-local revenues were 1.5 percent above the per capita national average and 2.5 percent above the national average per \$1,000 of personal income. The state ranked fairly high (16th) among all states in terms of FY 1990-91 per capita own-source revenue but much lower (26th) in relation to personal income.

While slightly above average overall, tax revenues in Michigan vary widely relative to the national average. (See exhibits 15-22.) As in the past, property tax collections were well above the national average (34 percent above the national average per capita and 36 percent above the national average per \$1,000 of personal income), ranking Michigan the 9th highest state in per capita property tax collections. Michigan continued to rank high in revenues from the income tax, and the state exceeded the national average by 18 percent per capita and by 20 percent per \$1,000 of personal income in FY 1990-91.

The sales tax burden remained lower than the national average"34 percent lower per capita and 33 percent lower per \$1,000 of personal income. The state ranked 45th highest in sales tax revenues in FY 1990-91 by both measures.

STATE EXPENDITURES AND REVENUES

Exhibits 23-26 present data on state expenditures and revenues per capita and per \$1,000 of personal income. They show that the state is spending and taking in relatively less than it has in previous fiscal years. As in past years, Michigan ranks lower in state spending and tax burden than for state-local spending and taxation. For example, Michigan ranks 24th among the states in general expenditures per \$1,000 of personal income compared with a rank of 20th for state-local expenditures.

State spending increased slightly in FY 1990-91 compared to the previous year. For example, state spending per \$1,000 of personal income grew 0.35 percent in FY 1990-91, compared with a 0.7 percent decline in FY 1989-90. Nationwide, spending per \$1,000 of personal income grew an average 7.6 percent in FY 1990-91. General revenues increased about 0.28 percent relative to personal income, compared to 0.13 percent nationally.

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Exhibit 1. Per Capita State-Local General Expenditures

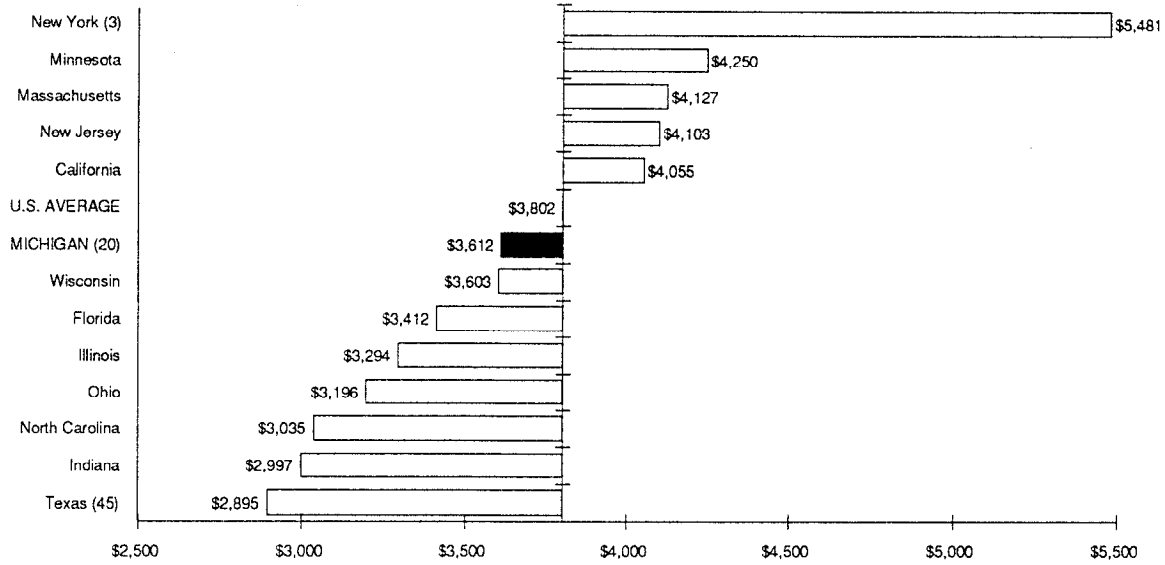


Exhibit 2. State-Local General Expenditures per \$1,000 Personal Income

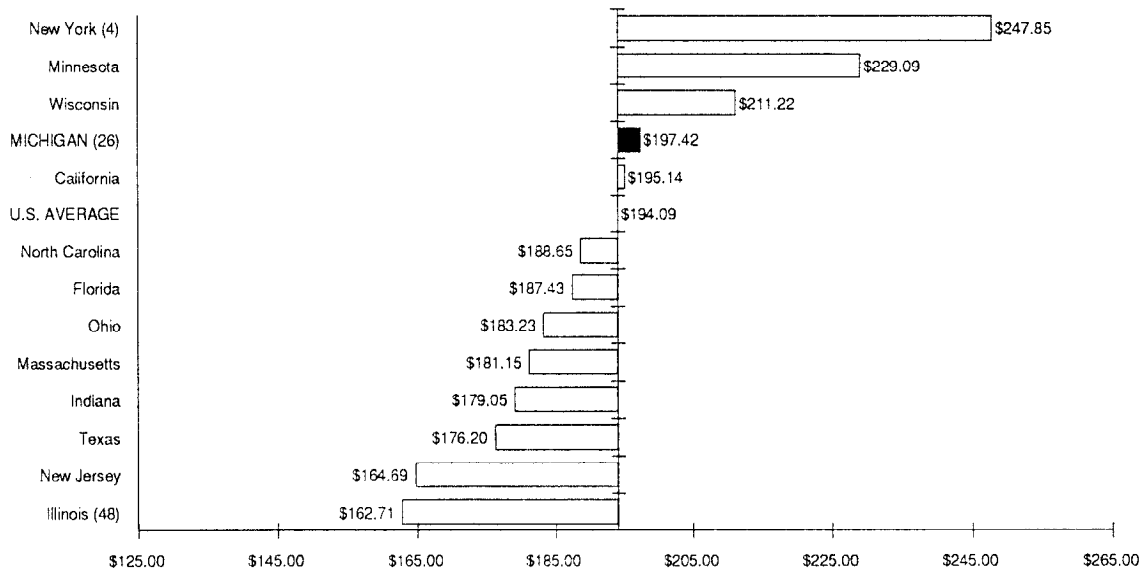


Exhibit 3. Per Capita State-Local K-12 and Higher Education Expenditures

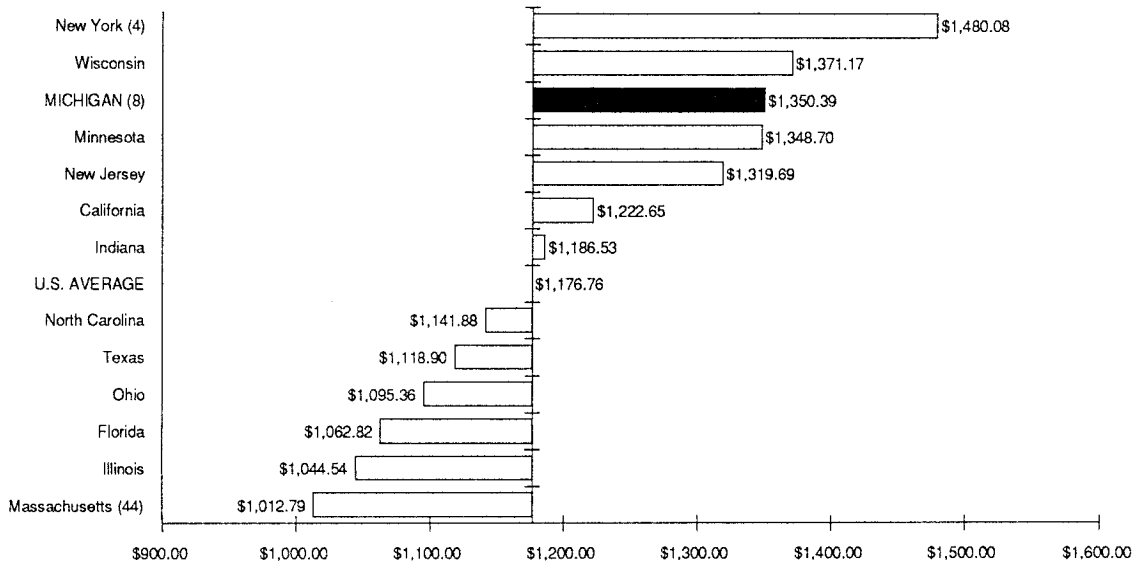


Exhibit 4. State-Local Education Expenditures per \$1,000 Personal Income

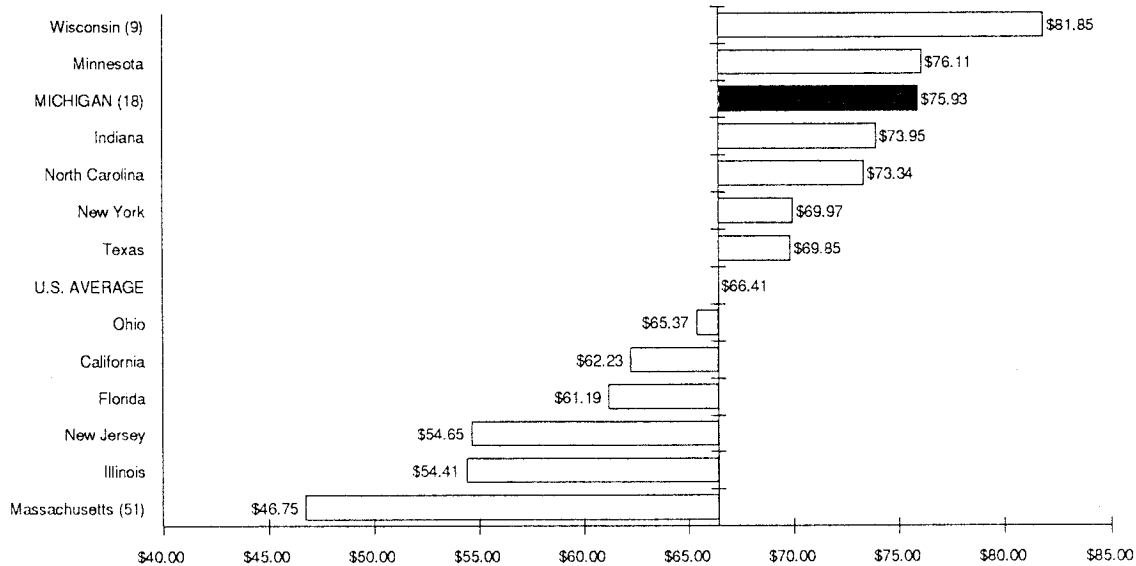


Exhibit 5. Per Capita State-Local Welfare Expenditures

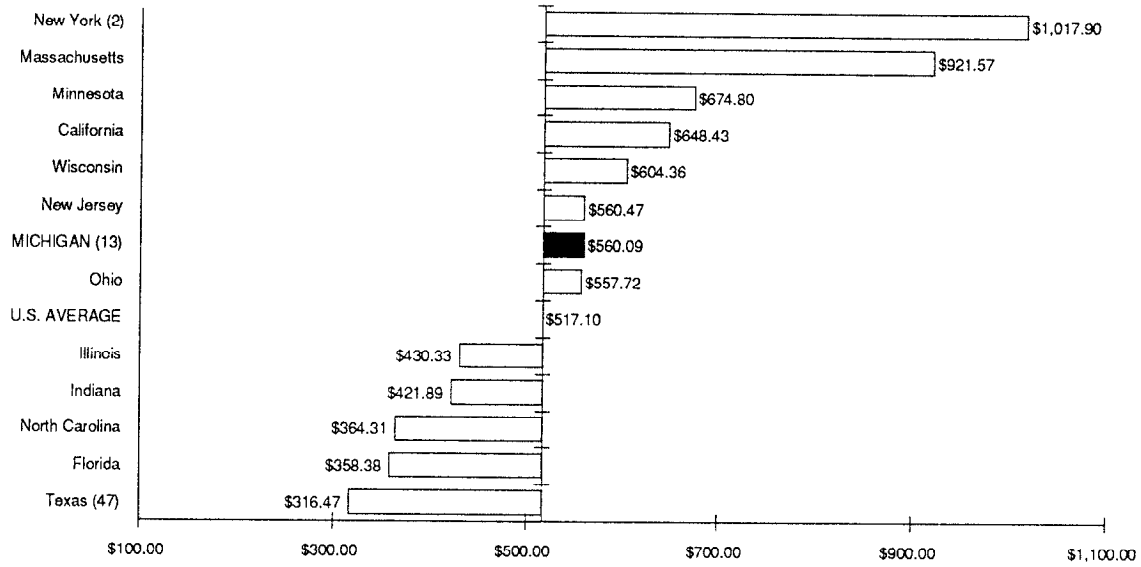


Exhibit 6. State-Local Welfare Expenditures per \$1,000 Personal Income

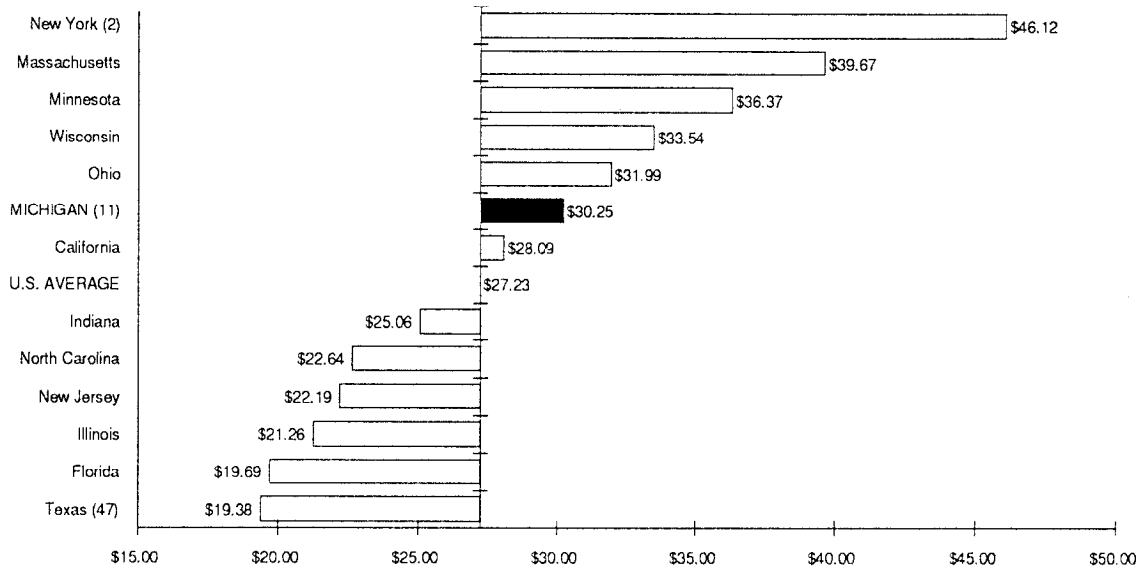


Exhibit 7. Per Capita State-Local Health and Hospital Expenditures

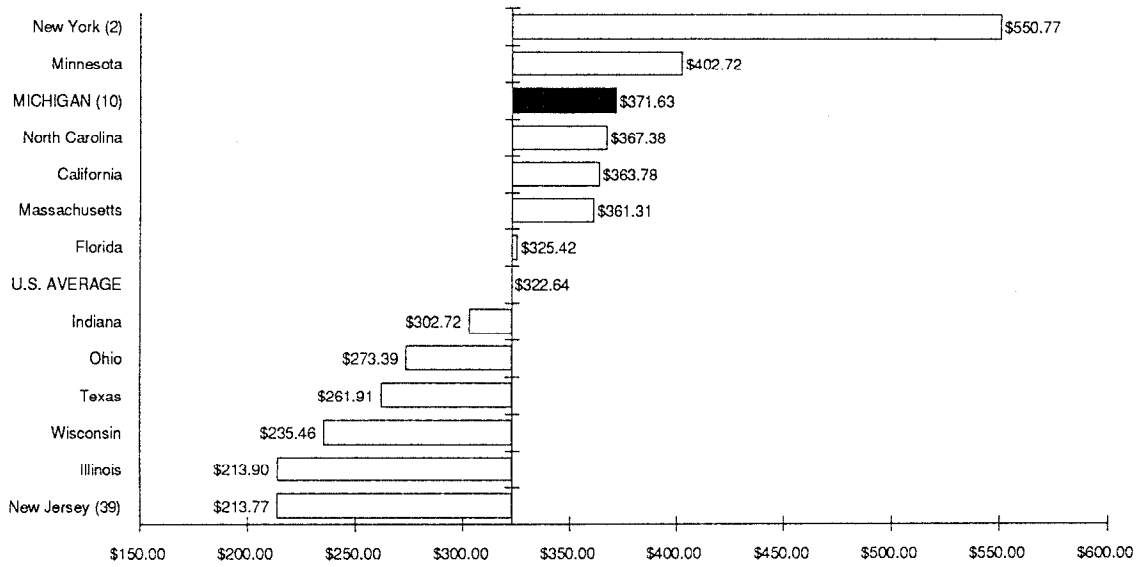


Exhibit 8. State-Local Expenditures on Health and Hospitals per \$1,000 Personal Income

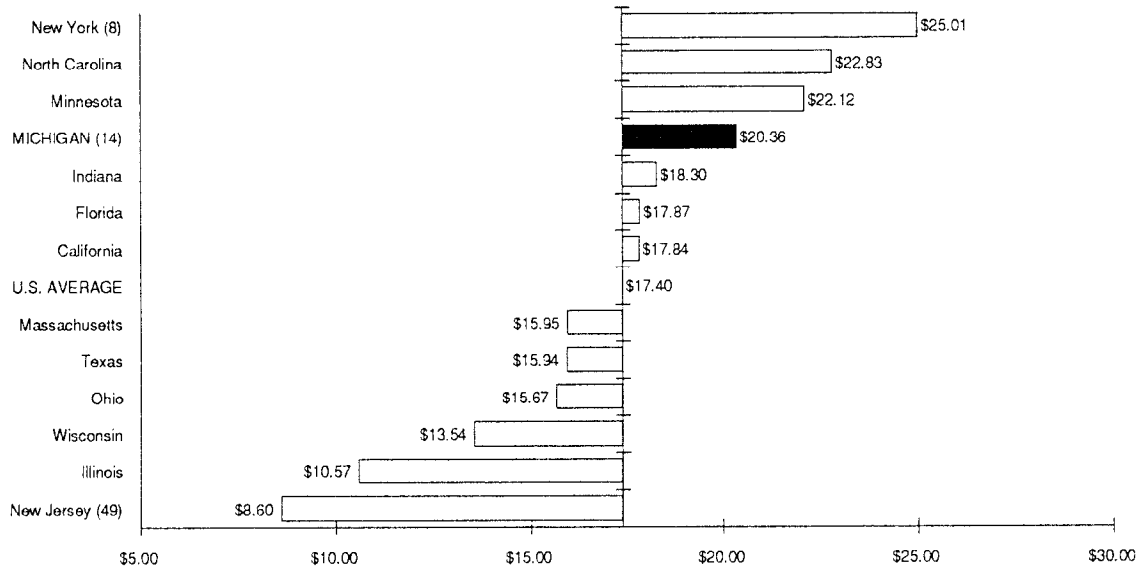


Exhibit 9. Per Capita State-Local Highway Expenditures

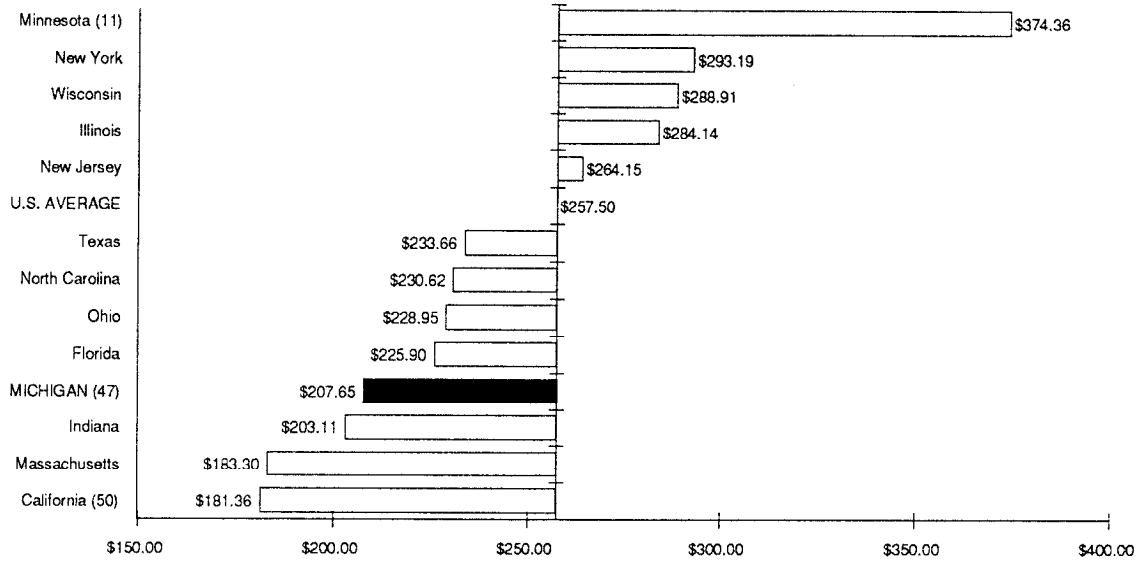


Exhibit 10. State-Local Highway Expenditures per \$1,000 Personal Income

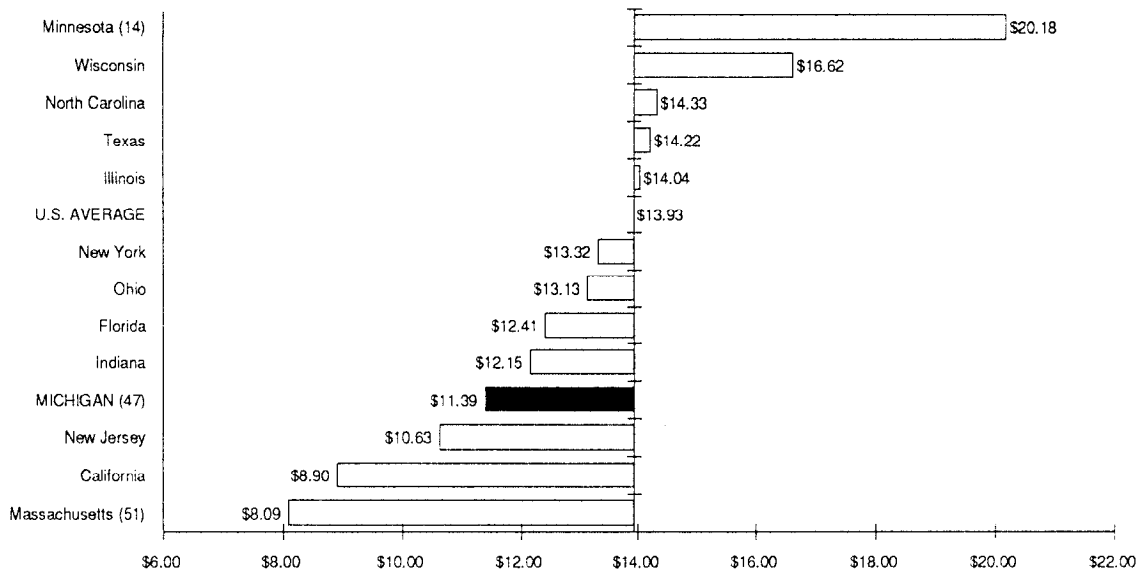


Exhibit 11. Per Capita State-Local Interest (Debt) Expenditure

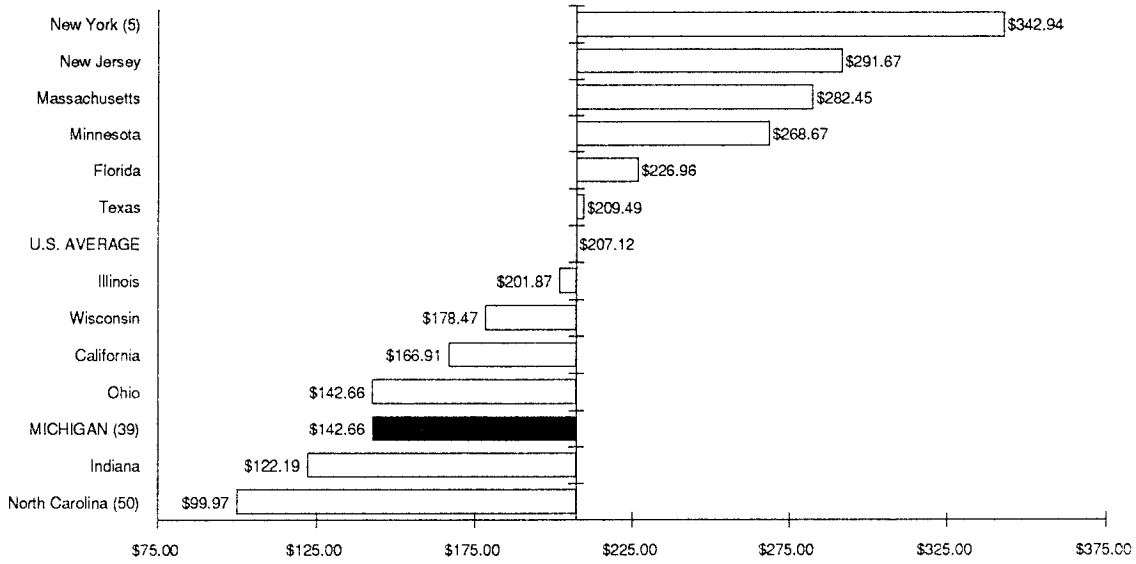


Exhibit 12. State-Local Interest (Debt) Expenditure per \$1,000 Personal Income

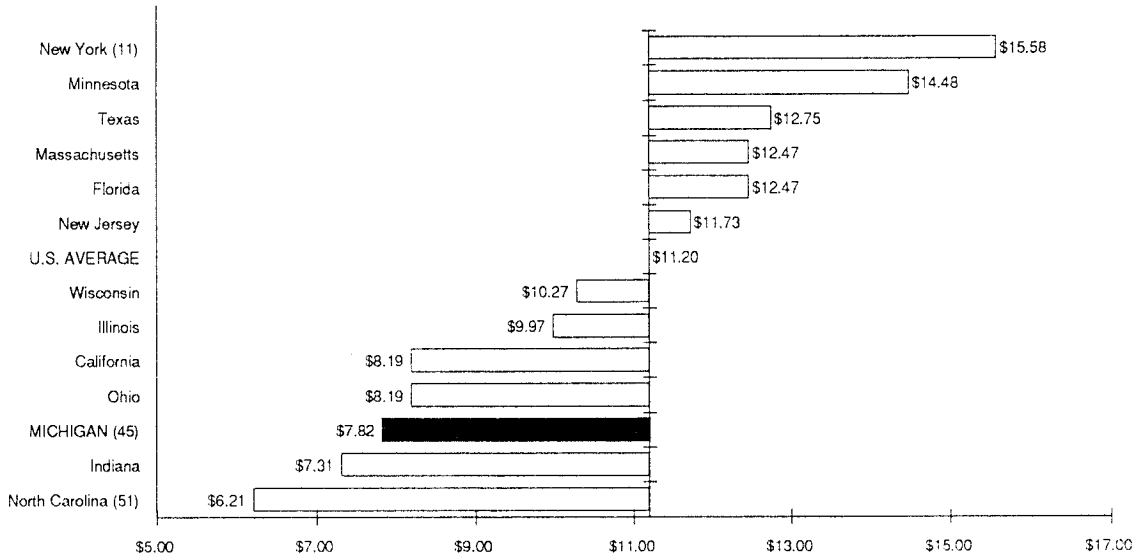


Exhibit 13. Per Capita State-Local General Revenue (Own Source)

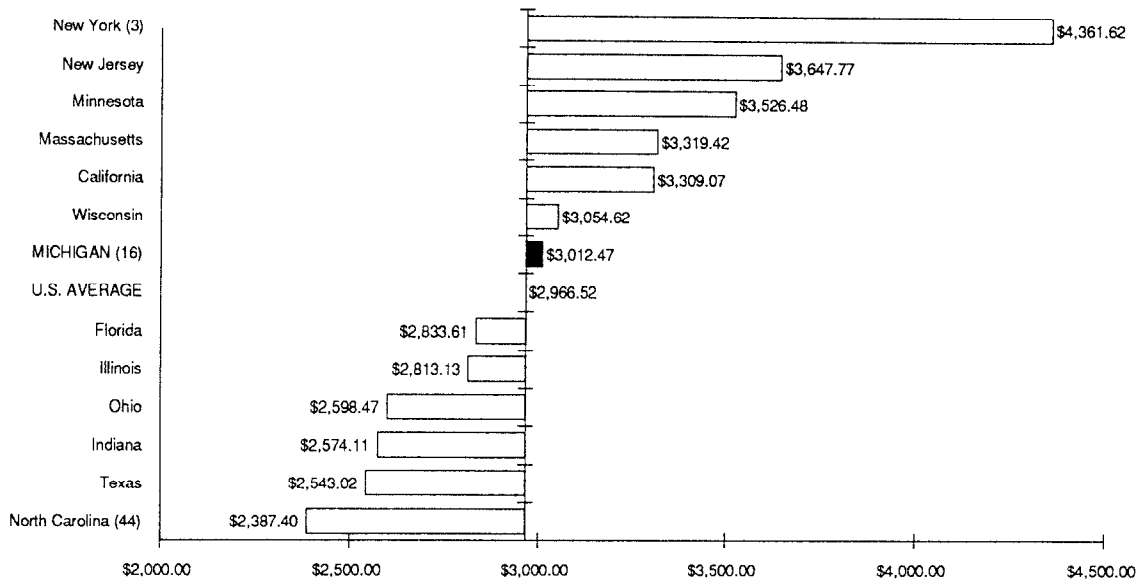


Exhibit 14. State-Local General Revenue per \$1,000 Personal Income

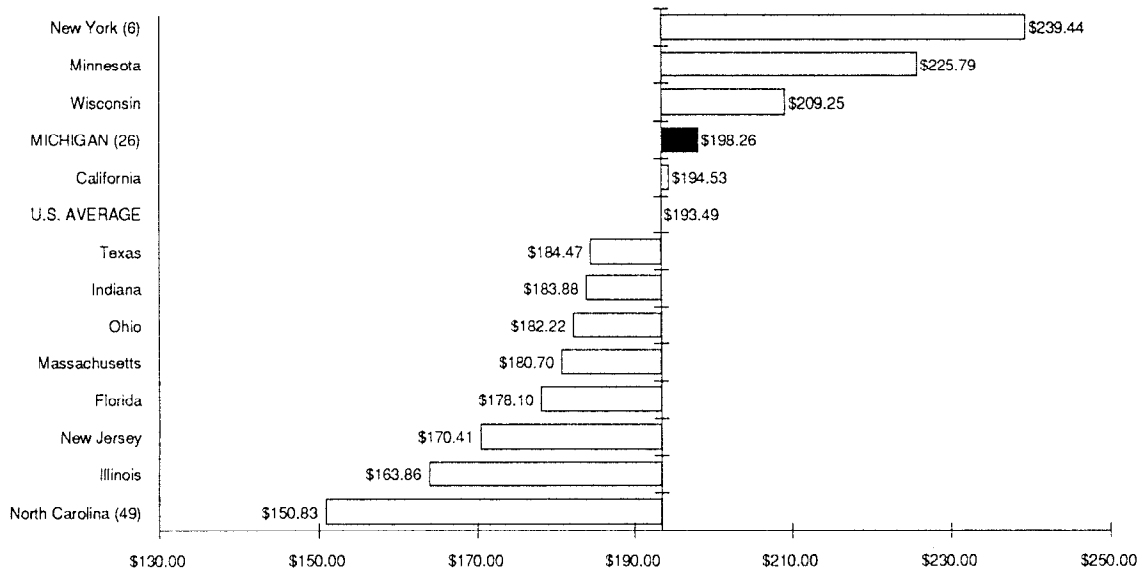


Exhibit 15. Per Capita State-Local Property Tax

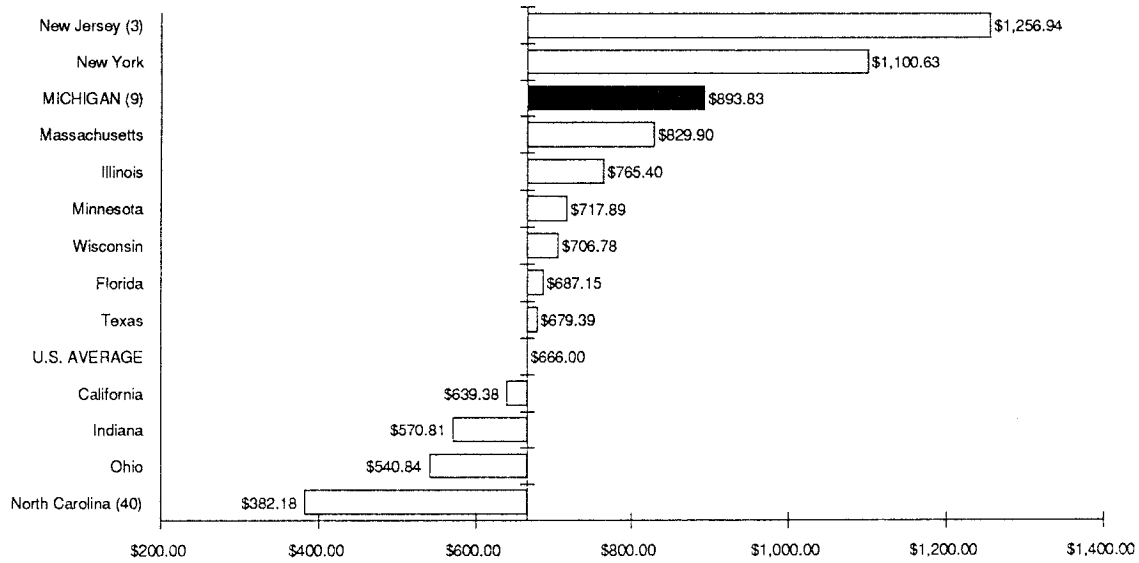


Exhibit 16. State-Local Property Tax per \$1,000 Personal Income

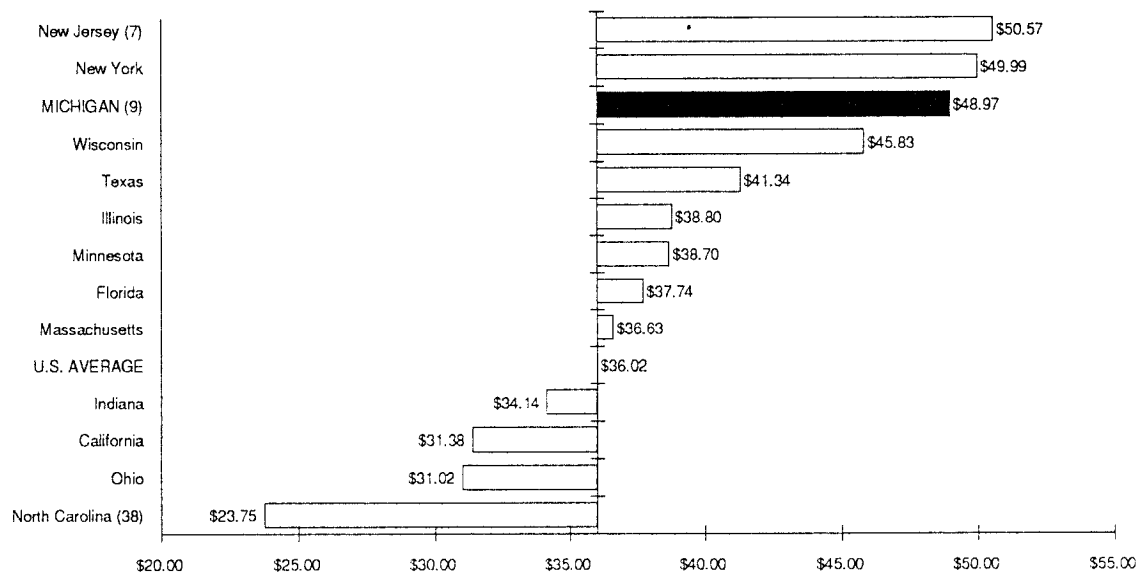


Exhibit 17. Per Capita State-Local Income Tax

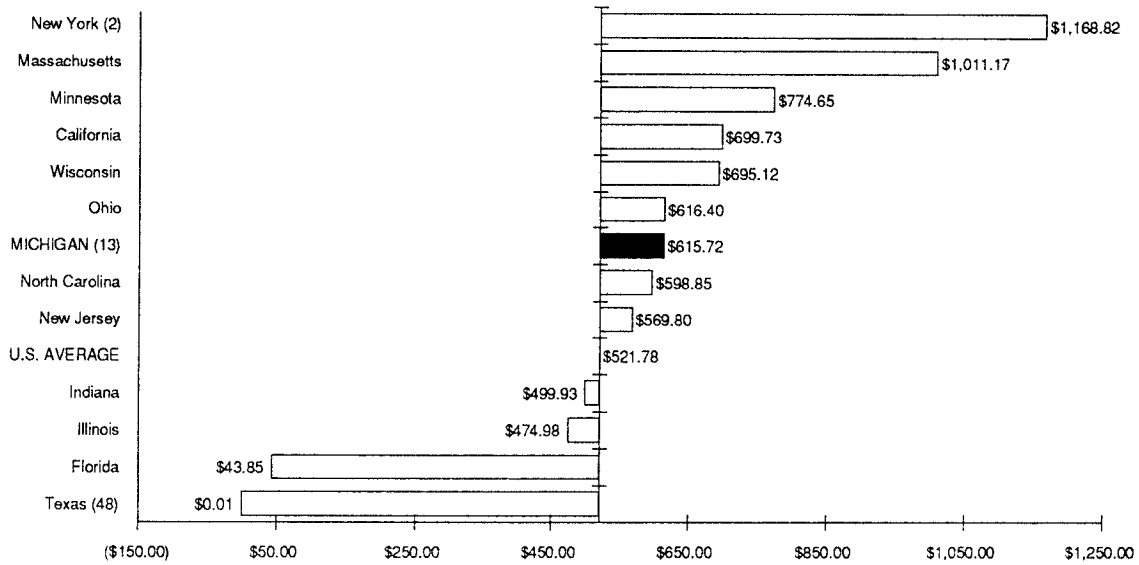


Exhibit 18. State-Local Income Tax per \$1,000 Personal Income

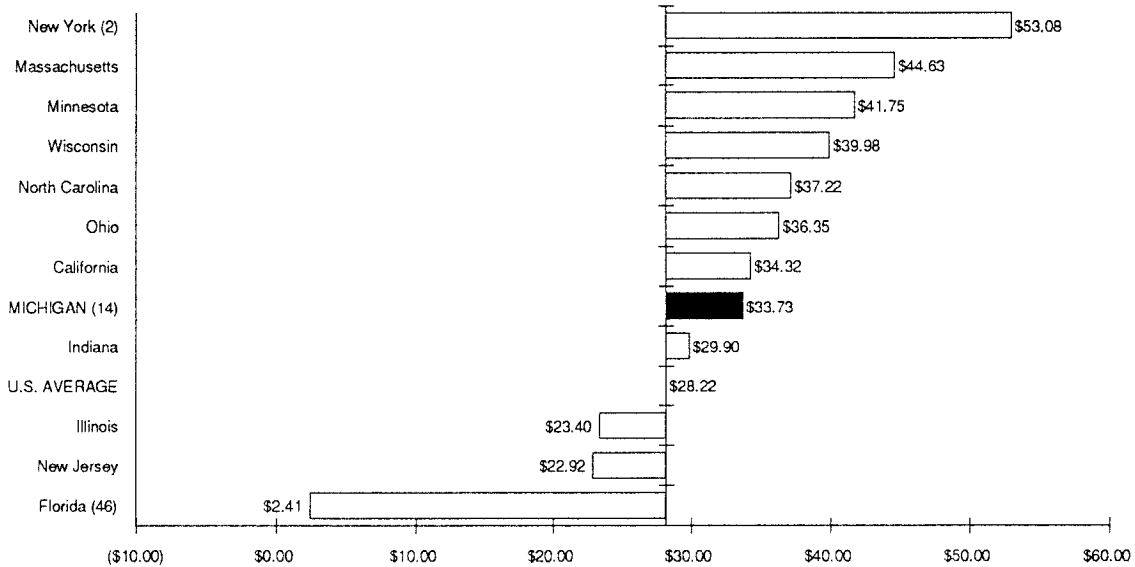


Exhibit 19. Per Capita State-Local Sales Tax

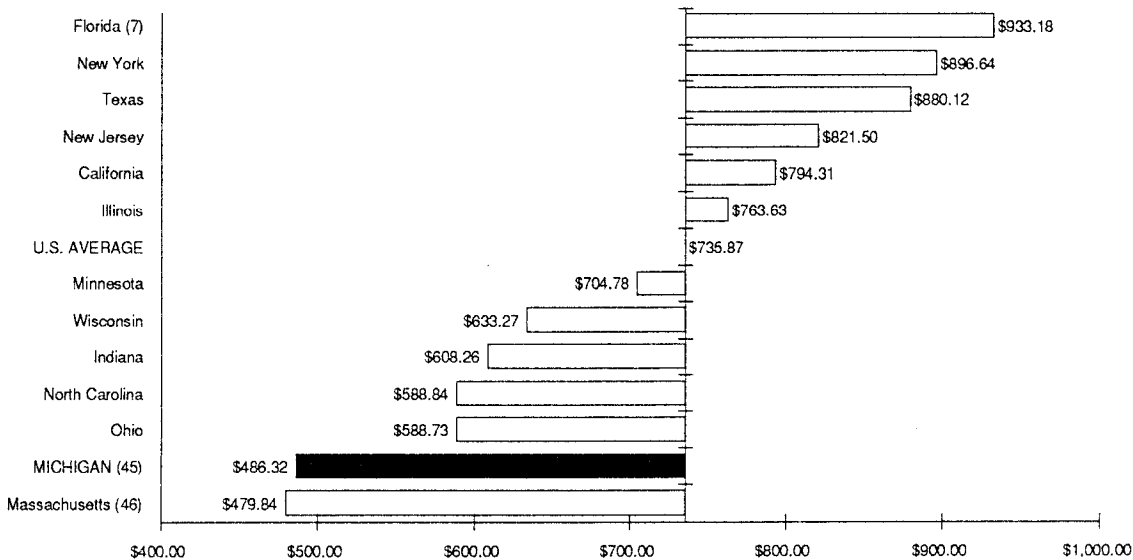


Exhibit 20. State-Local Sales Tax per \$1,000 Personal Income

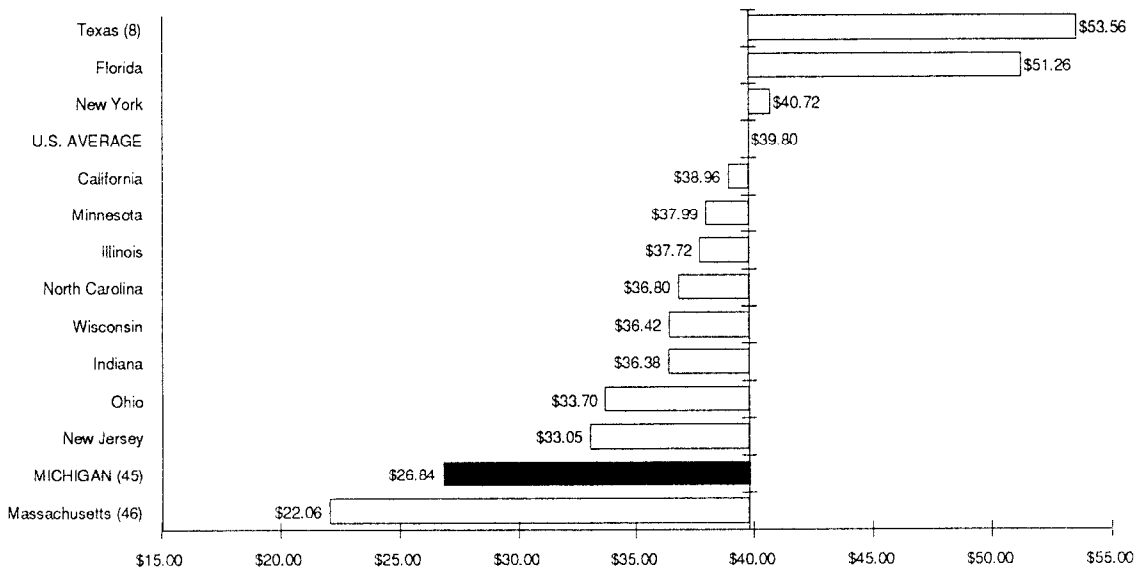


Exhibit 21. Per Capita State-Local Federal Aid

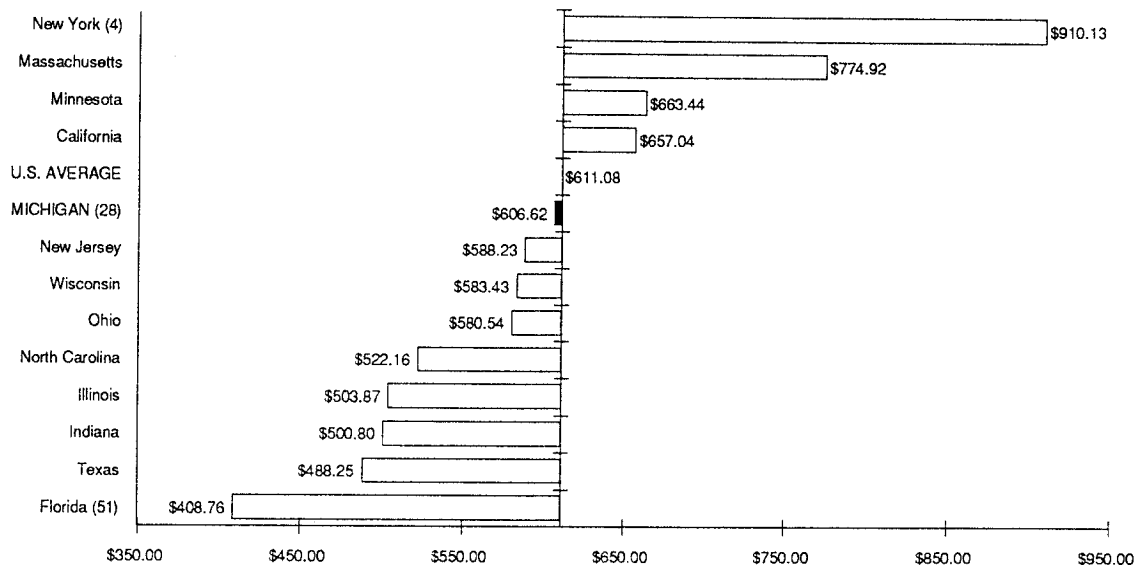


Exhibit 22. State-Local Federal Aid per \$1,000 Personal Income

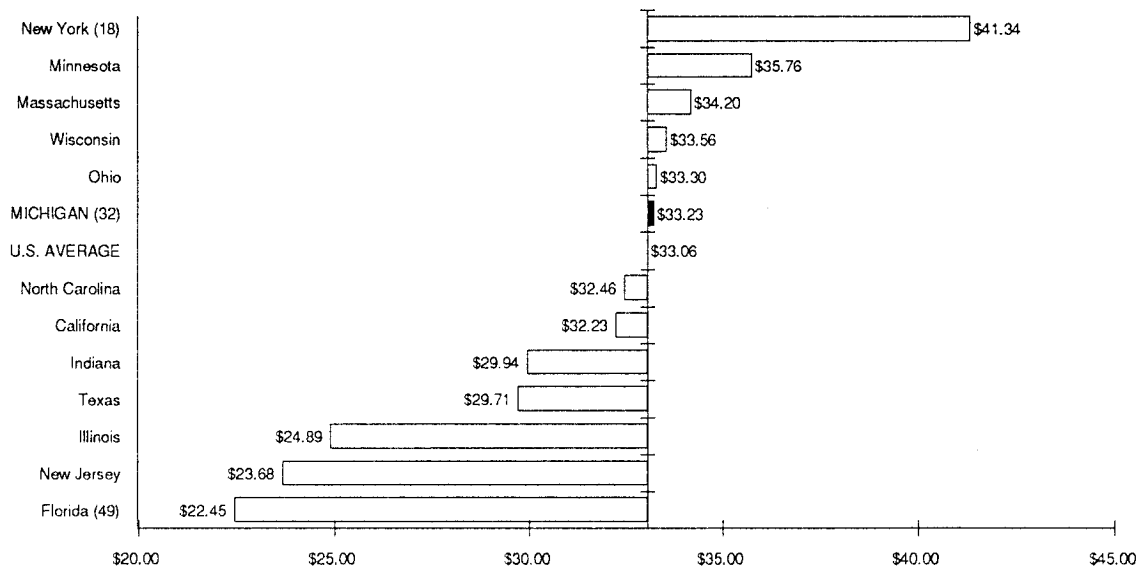


Exhibit 23. Per Capita State General Expenditures

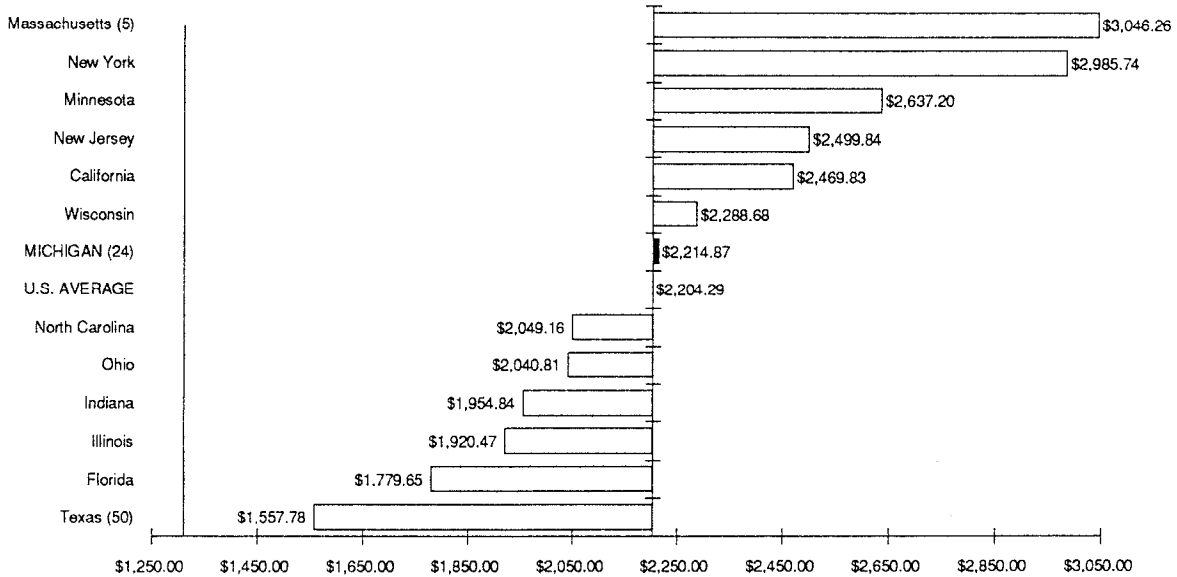


Exhibit 24. State General Expenditures per \$1,000 Personal Income

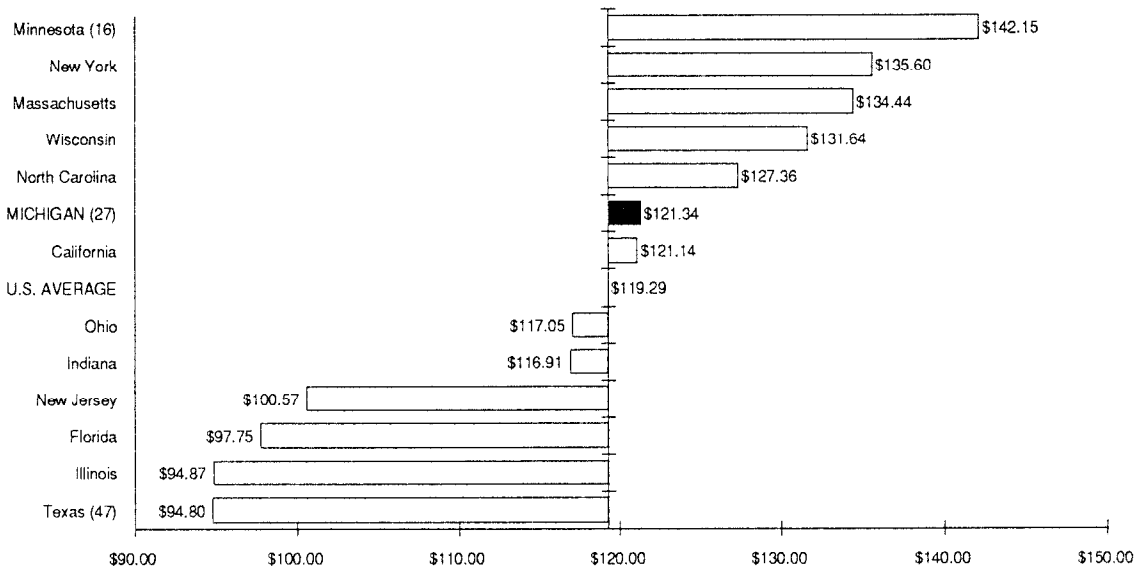


Exhibit 25. Per Capita State General Revenue , 1991

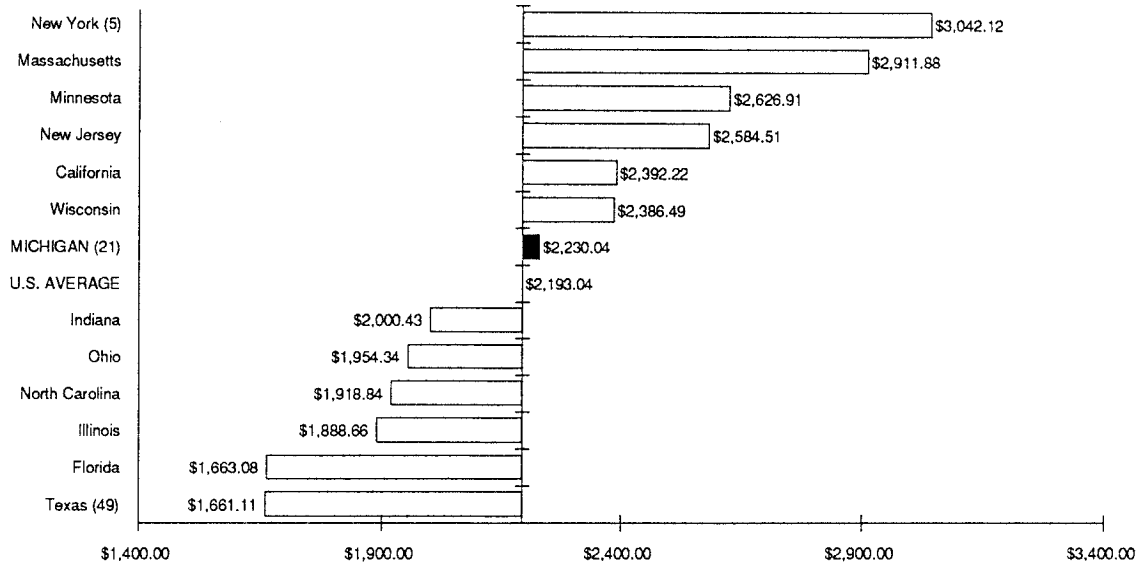


Exhibit 26. State General Revenue per \$1,000 Personal Income , 1991

