



## PUBLIC POLICY ADVISOR

### Michigan Expenditures and Revenues: Comparisons With Other States, FY 1988-89

by Frances Spring and Steve Genyk

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 *Government Finances in 1988-1989* and *State Government Finances, 1989*.

The exhibits in this report include FY 1988-89 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 parentheses next to the state's name.)

#### STATE-LOCAL GOVERNMENT EXPENDITURES

State-local spending in Michigan remains above the U.S. average whether measured per capita or per \$1000 of personal income. Using the per capita measure, Michigan is 5 percent above the U.S. average (down from 5.4 percent in FY 1987-88); using the personal income measure, Michigan is 7.9 percent above the U.S. average (down from 9.3 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.)

Per capita state-local spending continued to increase in all categories for FY 1988-89, but percentage increases were smaller than in previous years. Michigan's state-local per capita spending on health and hospitals rose by 5.4 percent, on education by 4.6 percent, and on highways by 3.2 percent as compared to increases for FY 1987-88 of 10.1 percent, 9.6 percent, and 5.6 percent, respectively. Michigan per capita state-local welfare spending experienced an increase of only 1.2 percent—the smallest increase in Michigan's per capita spending (among the spending categories surveyed). The level of per capita education expenditures was 15 percent above the U.S. average, while spending for highways was 20.2 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 1988-89 fiscal year relative to the slow growth in spending. State-local expenditures per \$1,000 of personal income fell in all categories except debt interest expenditure.

#### STATE-LOCAL REVENUE

The Michigan tax burden is slightly above average in per capita terms and per \$1,000 of personal income. Using the per capita measure, Michigan ranks 13th nationally compared to 14th in the previous fiscal year and 22th compared to 20th using the personal income measure. (See exhibits 13 and 14) Michigan ranks high in property tax (9th, the same rank as in FY 1987-88), and income tax (11th, down from 8th in the previous year) burdens and low in sales tax burden (46th, down from 45th in FY 1987-88; see exhibits 15-20).

The property tax measure was 33.1 percent above the national average and the income tax burden was 31.1 percent above, while the sales tax burden was 41.4 percent below the U.S. average.

State-local revenues from federal sources increased in per capita terms and decreased slightly when measured 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 21st to 26th and per \$1,000 of personal income from 28th to 33d. Both measures were slightly 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 tax burden than for state-local spending and taxation. For example, Michigan ranks 31st among the states on state general expenditures per \$1,000 of personal income compared with a rank of 23d for state-local expenditures. (Last year, state spending ranked 22d and state-local spending 16th.) 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 relatively low level of state support for K–12 education. State expenditures per \$1,000 of personal income decreased by 4.7 percent from 1987–88 to 1988–89 compared with a 0.9 percent rise nationally.

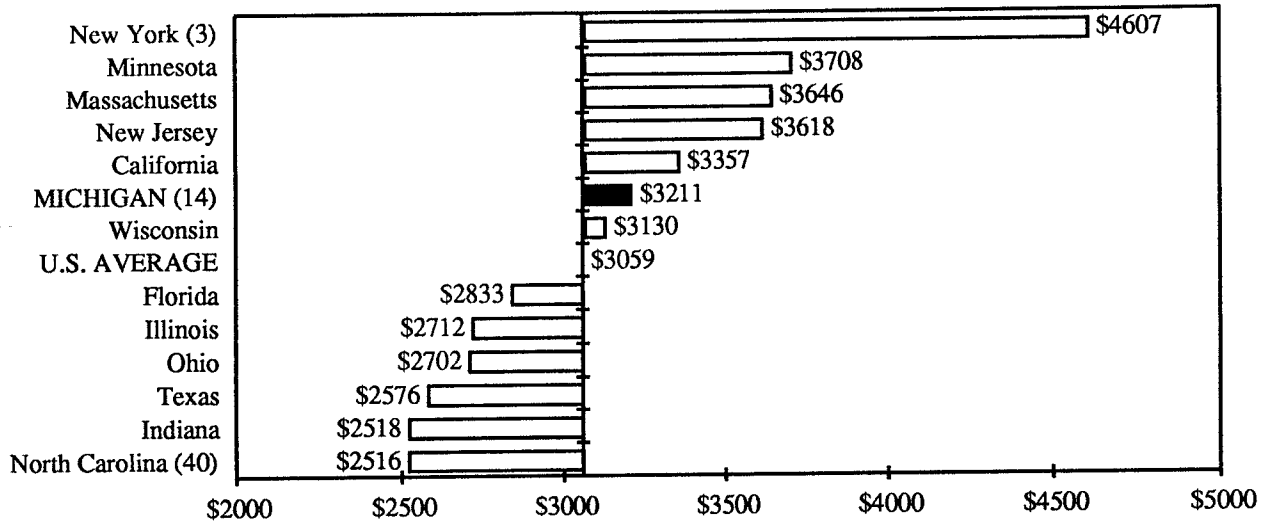
## **COMMENT**

The information presented here is helpful in evaluating past state-local budget priorities and also provides useful background information for tax policy discussion and evaluation. Michigan's high property and income taxes and low sales tax burden may lead one to conclude that an increase in the sales tax (rate or base) to finance a decrease in property taxes would be a good idea. This is especially true in light of two conflicting factors: (1) some form of property tax relief is likely to be enacted during the current fiscal year (with the state reimbursing local governments for lost revenues), and (2) the state is in the midst of its worst budget crisis in over 10 years. The second factor implies that Michigan's position as a state with relatively high levels of spending on welfare, health, and hospitals is likely to decline over the next several years, although the degree to which cuts can be made is questionable in light of rising health costs and reduced federal expenditures in these areas. The necessary cuts in social spending will be even greater if a plan to reduce property taxes is passed that does not include corresponding revenue increases elsewhere in the budget. In light of the state's low sales tax burden, it would seem more fiscally prudent to at least partially shift the tax burden away from property levies and toward sales taxes.

Public Sector Consultants can provide additional detail of the information provided here, as well as rankings for all of the states. If you need this information, please contact Frances Spring at (517) 484-4954.

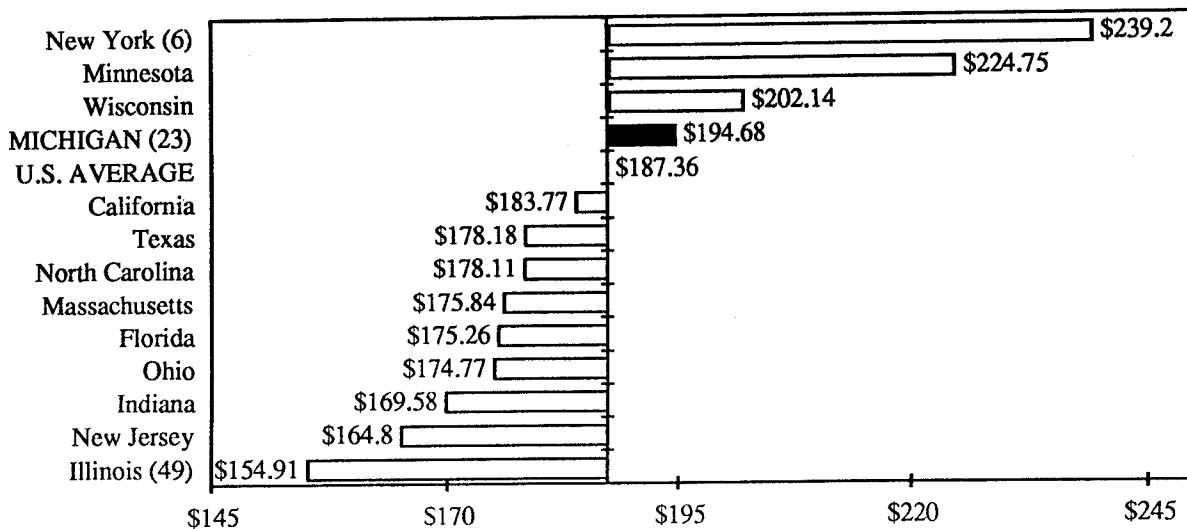
# EXHIBIT 1

## Per Capita State-Local General Expenditures

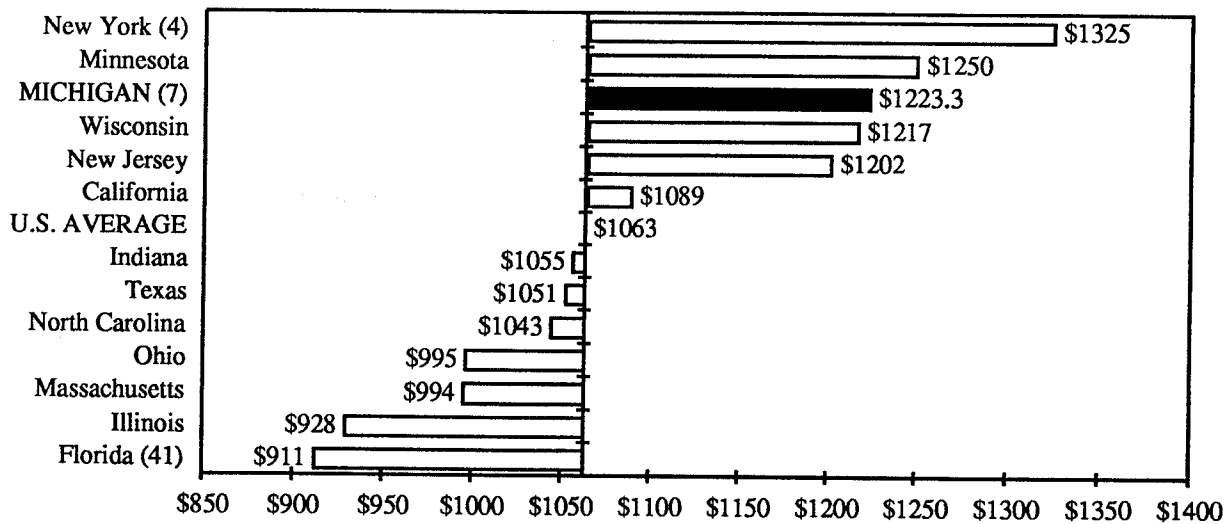


# EXHIBIT 2

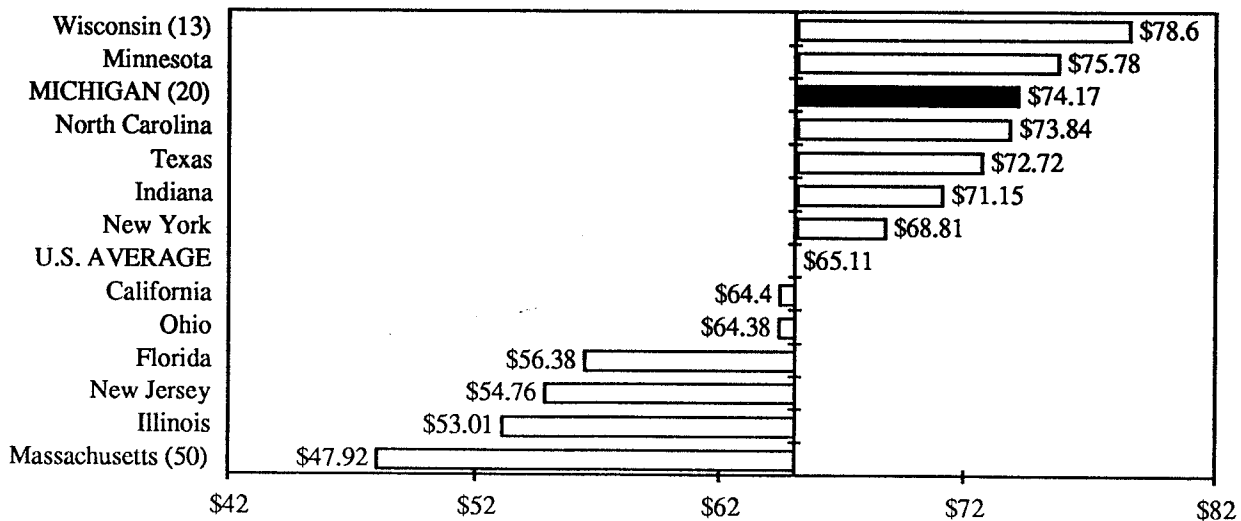
## State-Local General Expenditures per \$1,000 Personal Income



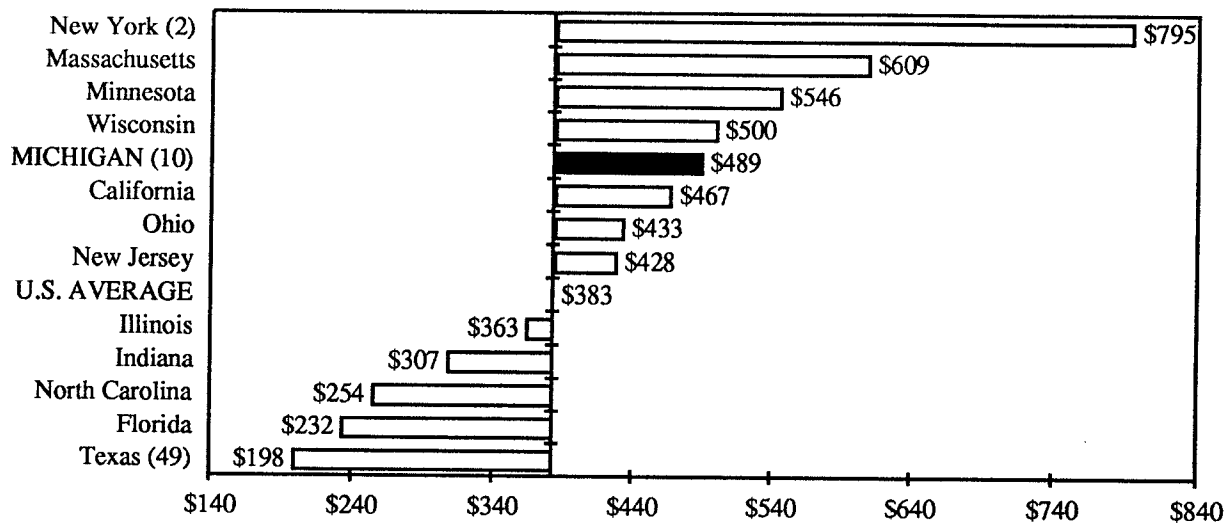
**EXHIBIT 3**  
**Per Capita State-Local Education Expenditures**



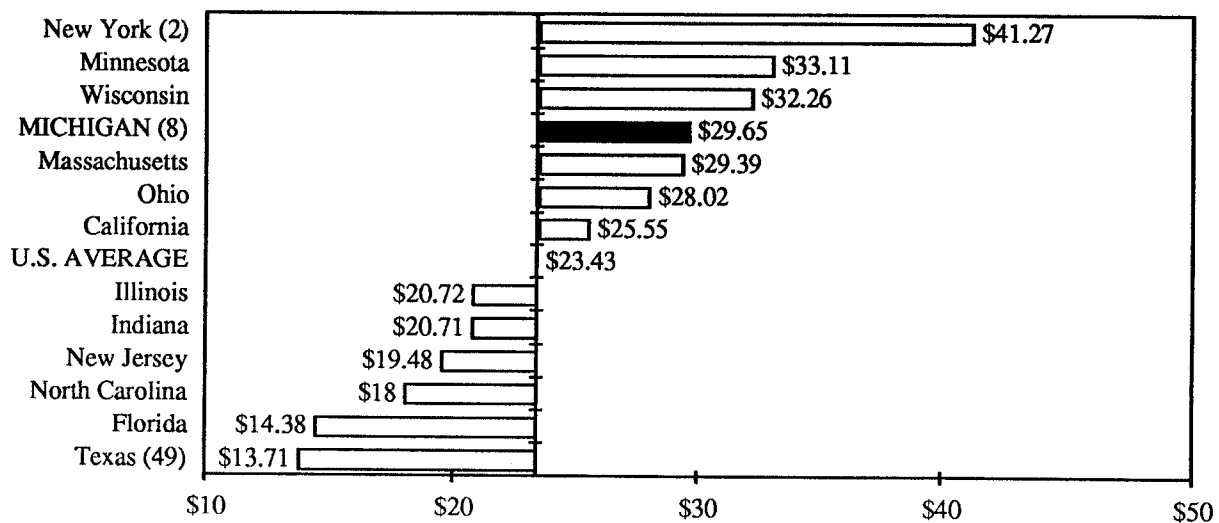
**EXHIBIT 4**  
**State Local Education Expenditures per \$1,000 Personal Income**



**EXHIBIT 5**  
**Per Capita State-Local Welfare Expenditures**

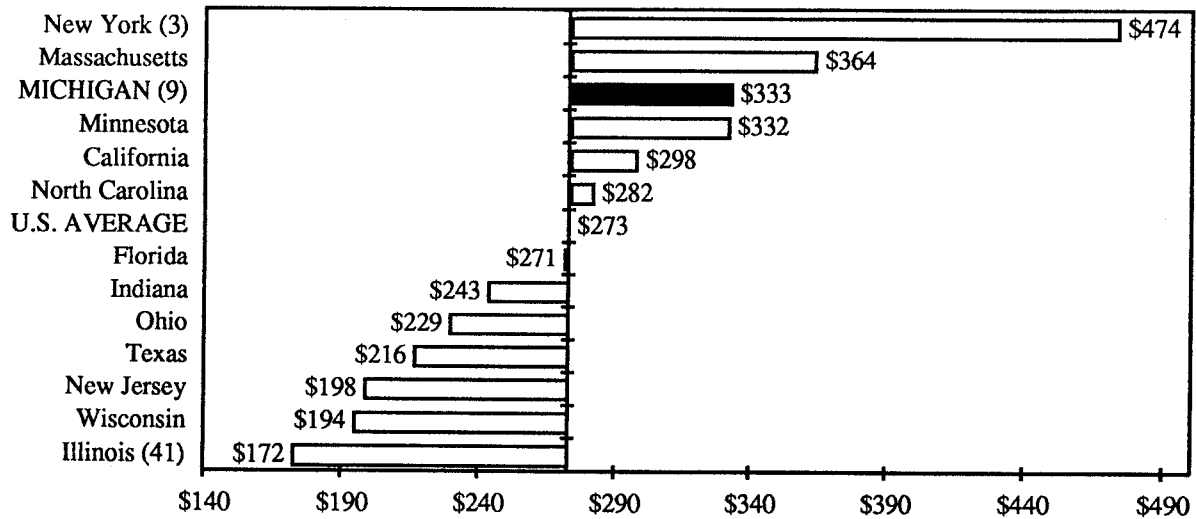


**EXHIBIT 6**  
**State-Local Welfare Expenditures per \$1,000 Personal Income**



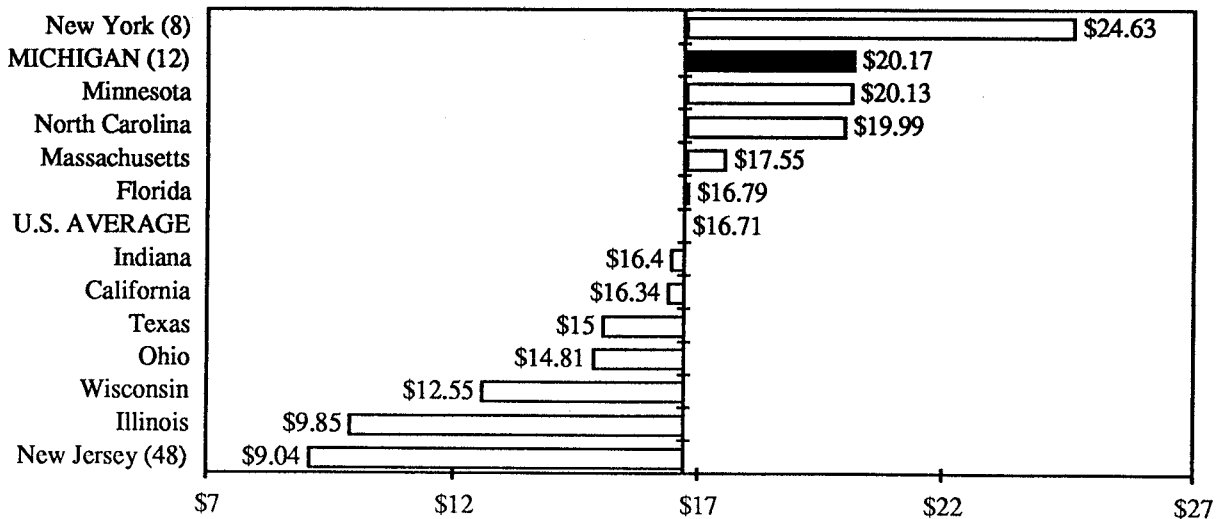
# EXHIBIT 7

## Per Capita State-Local Health and Hospital Expenditures



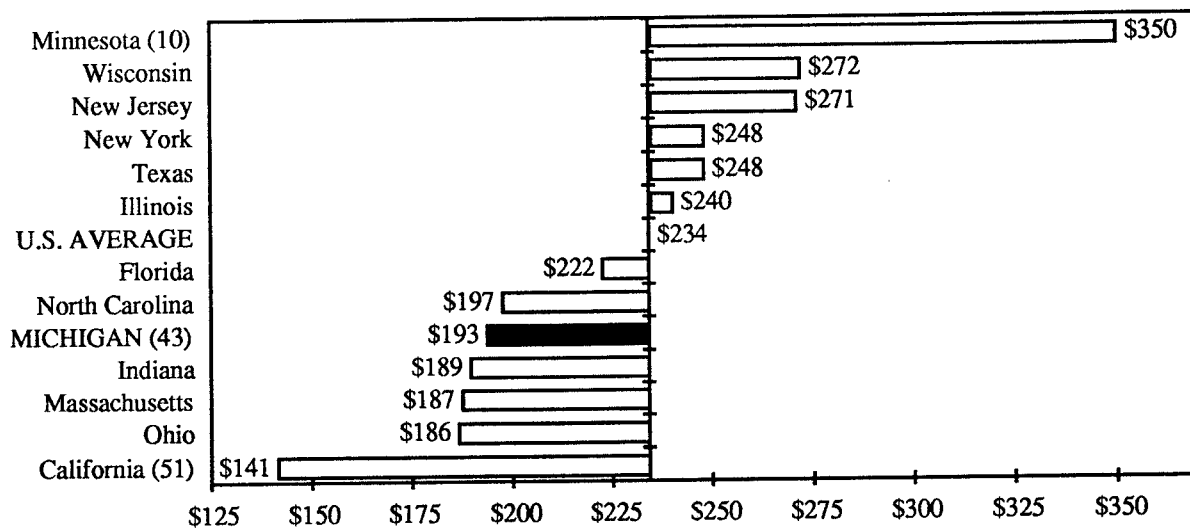
# EXHIBIT 8

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



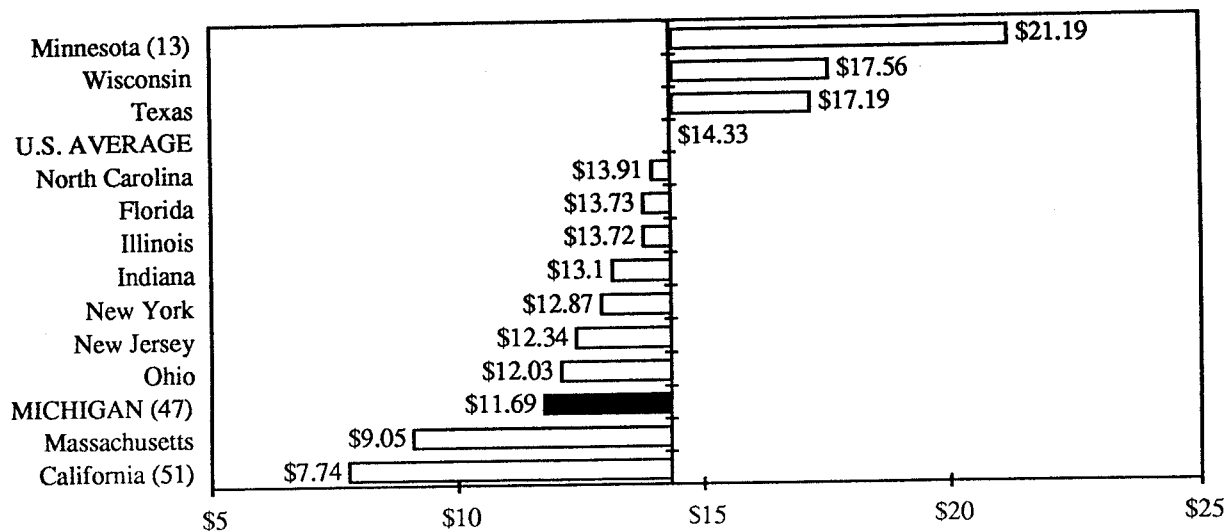
# EXHIBIT 9

## Per Capita State-Local Highway Expenditures



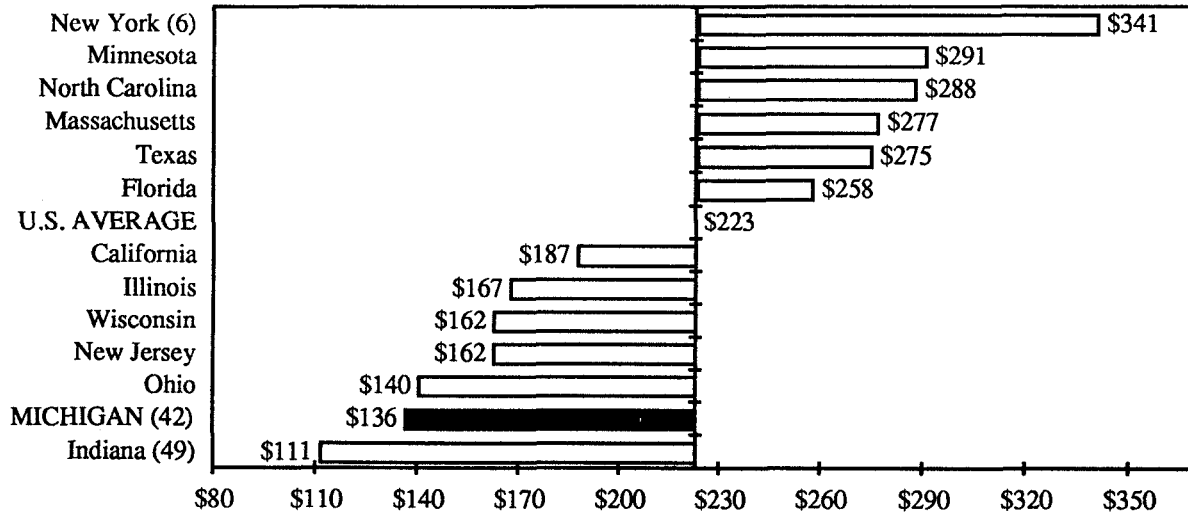
# EXHIBIT 10

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



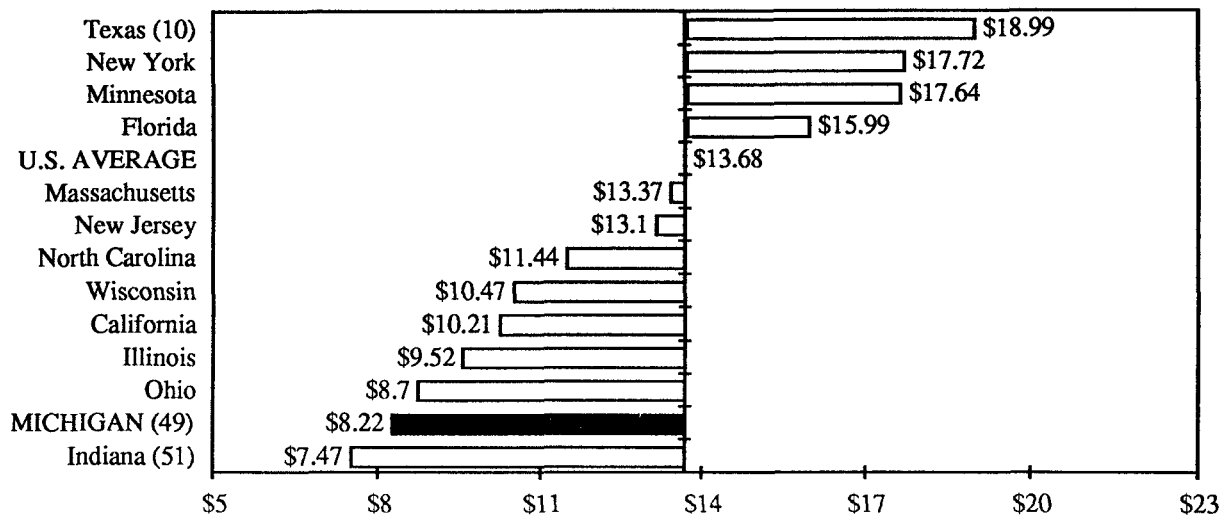
# EXHIBIT 11

## Per Capita State-Local Interest (Debt) Expenditures



# EXHIBIT 12

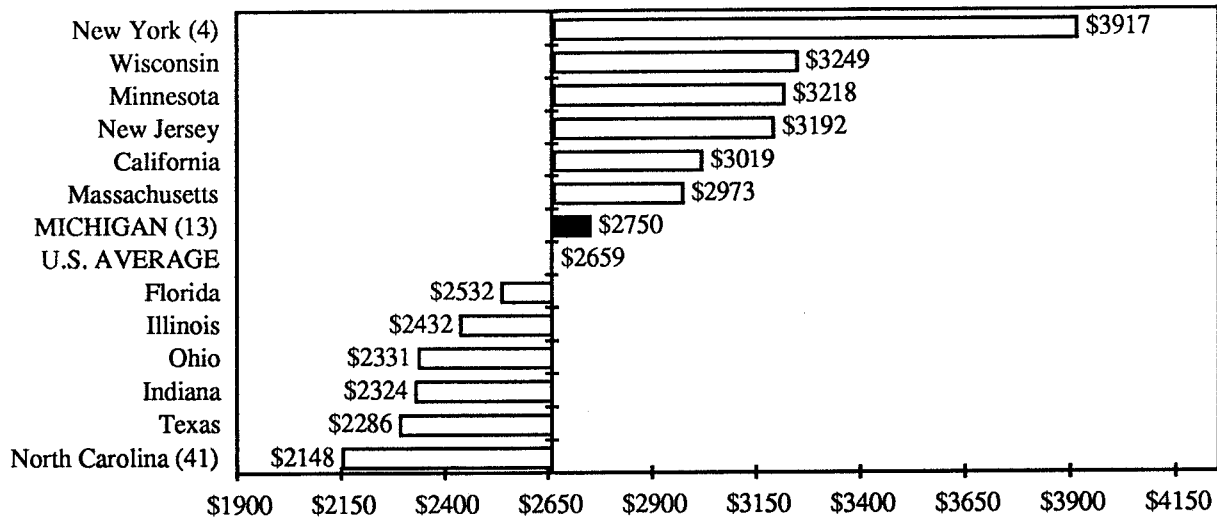
## State-Local Interest (Debt) Expenditures Per \$1,000 Personal Income





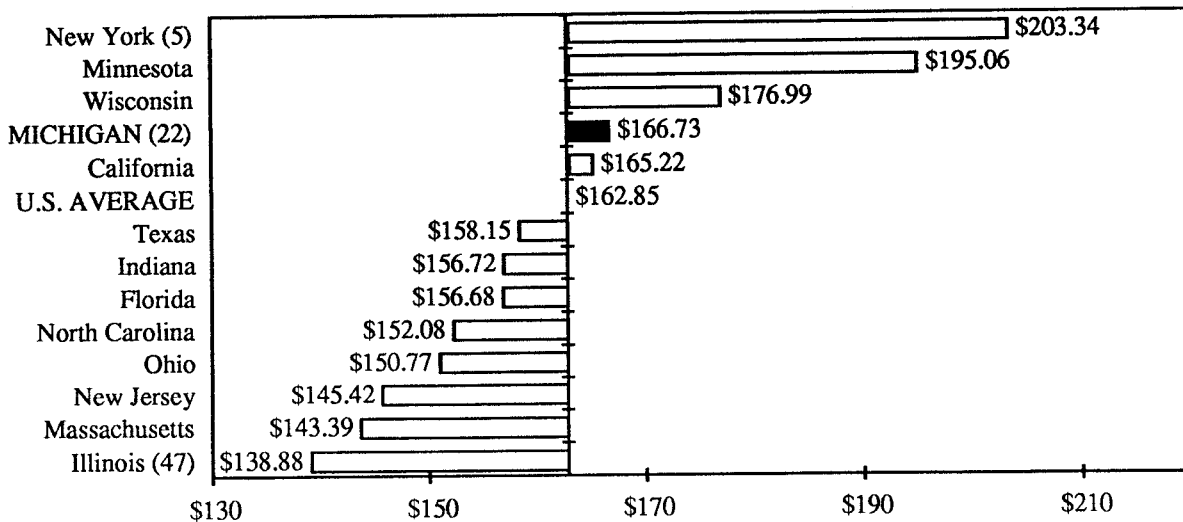
### EXHIBIT 13

#### Per Capita State-Local General Revenue (Own Source)



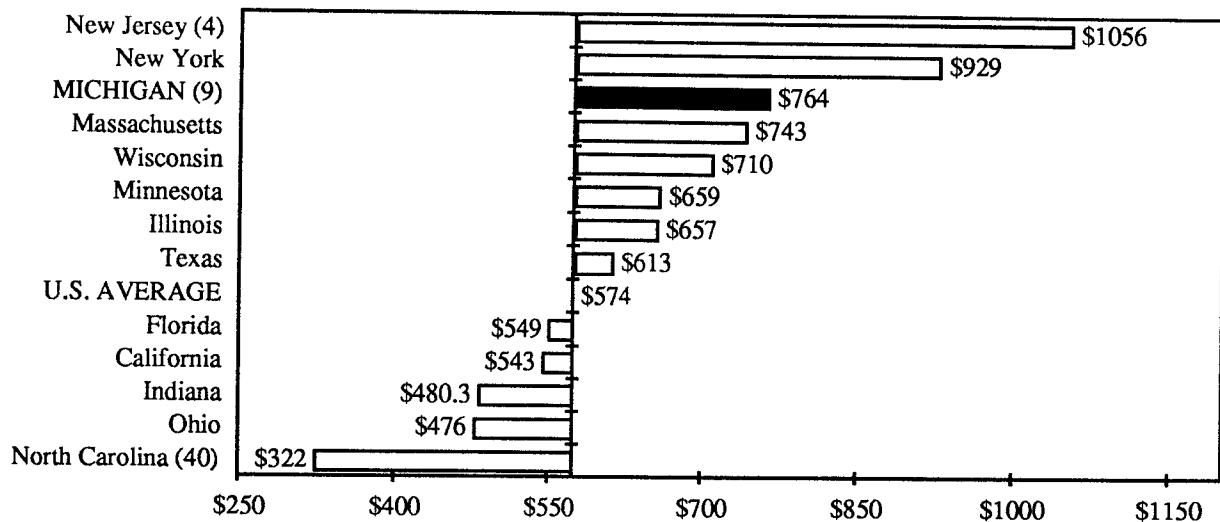
### EXHIBIT 14

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



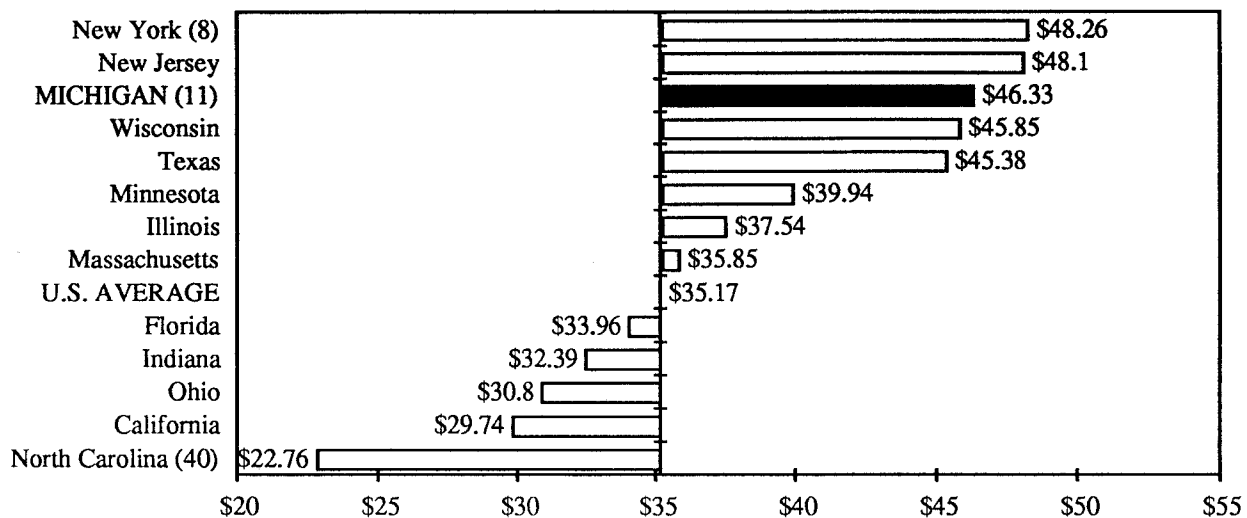
# EXHIBIT 15

## Per Capita State-Local Property Tax



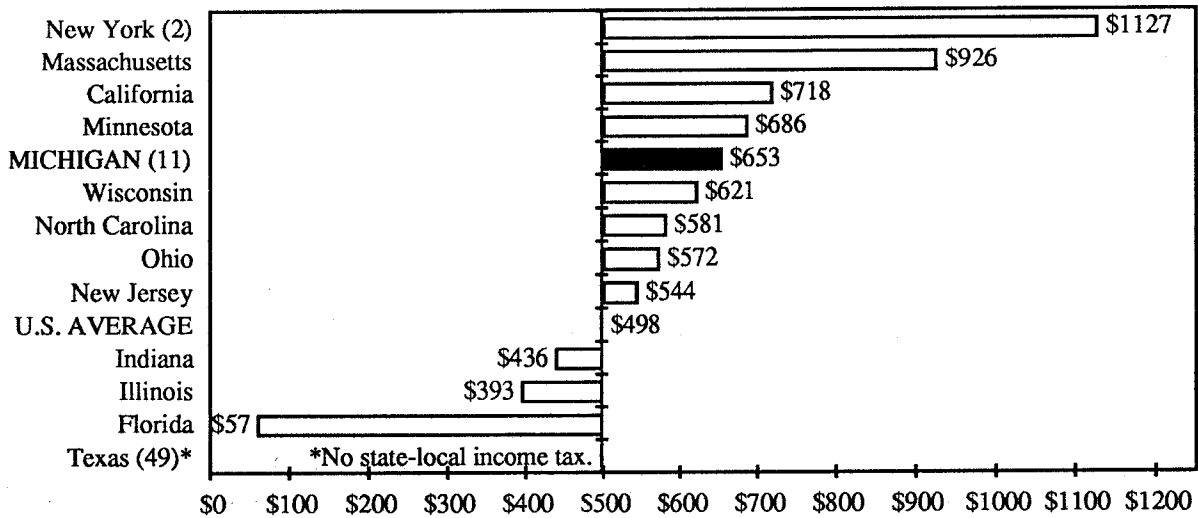
# EXHIBIT 16

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



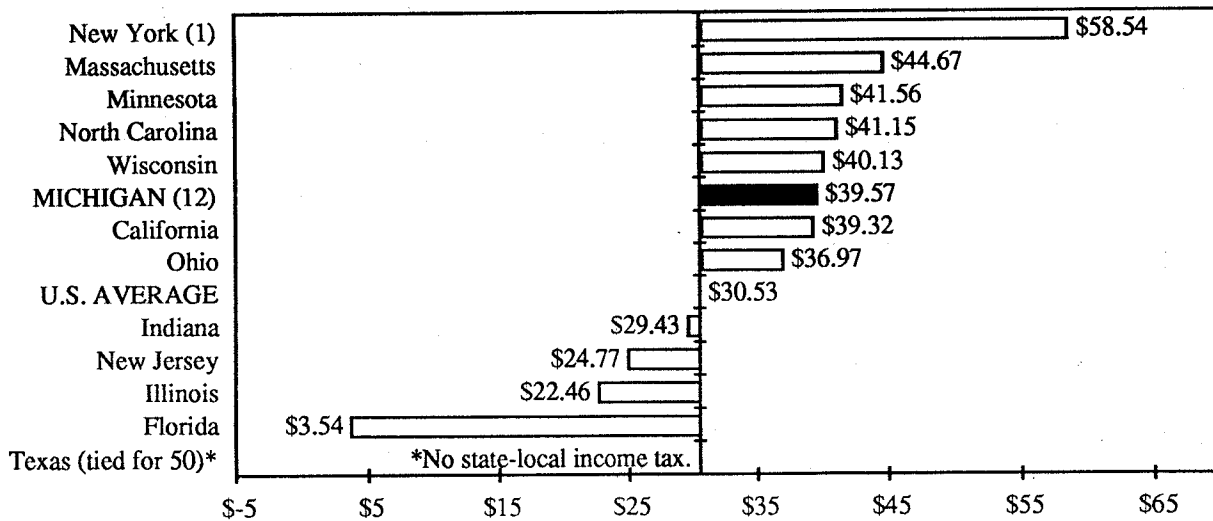
# EXHIBIT 17

## Per Capita State-Local Income Tax



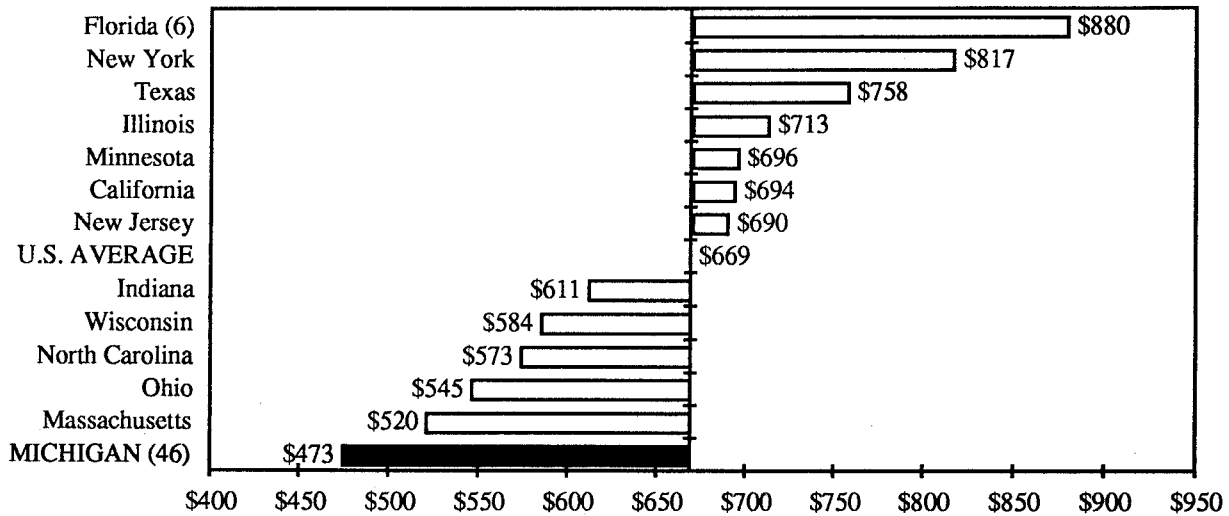
# EXHIBIT 18

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



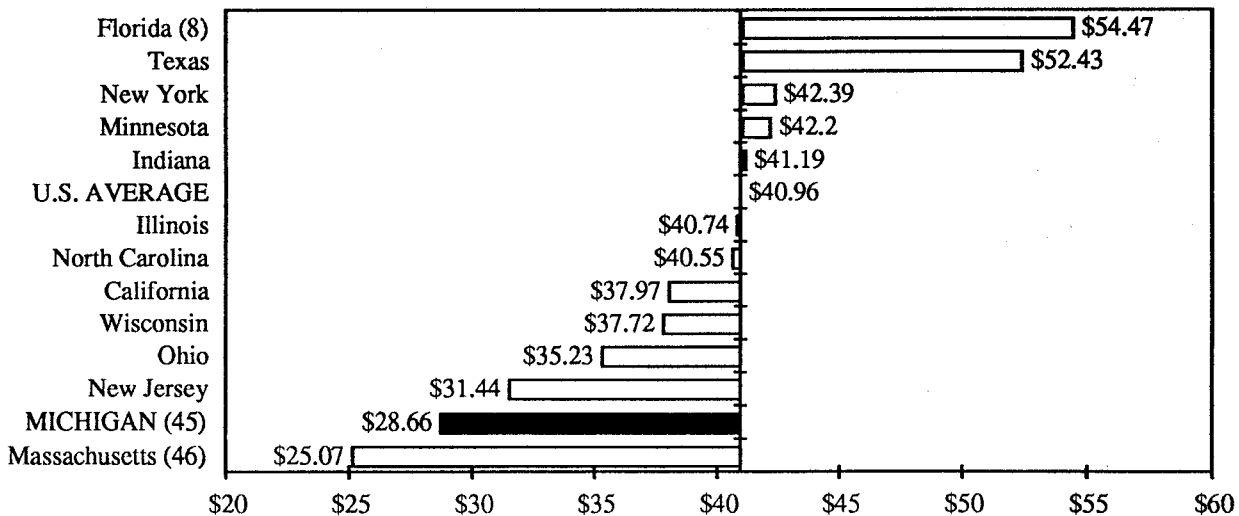
# EXHIBIT 19

## Per Capita State-Local Sales Tax



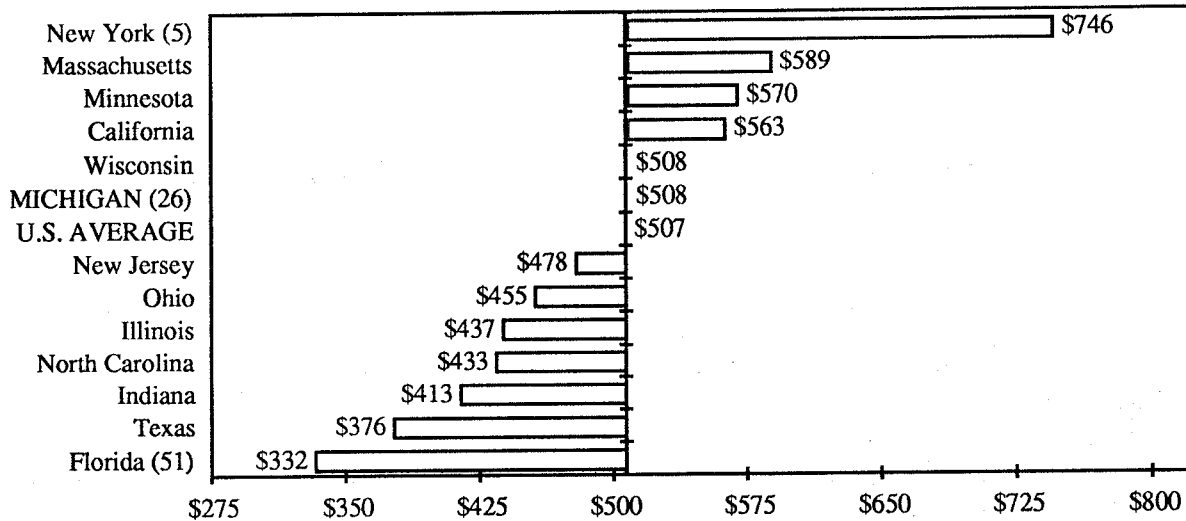
# EXHIBIT 20

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



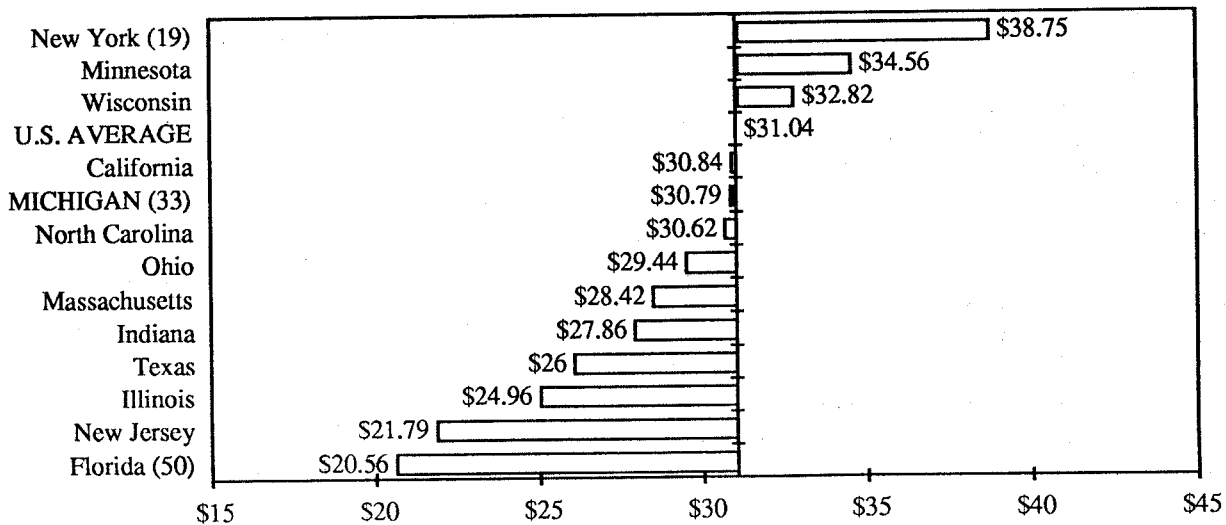
# EXHIBIT 21

## Per Capita State-Local Federal Aid



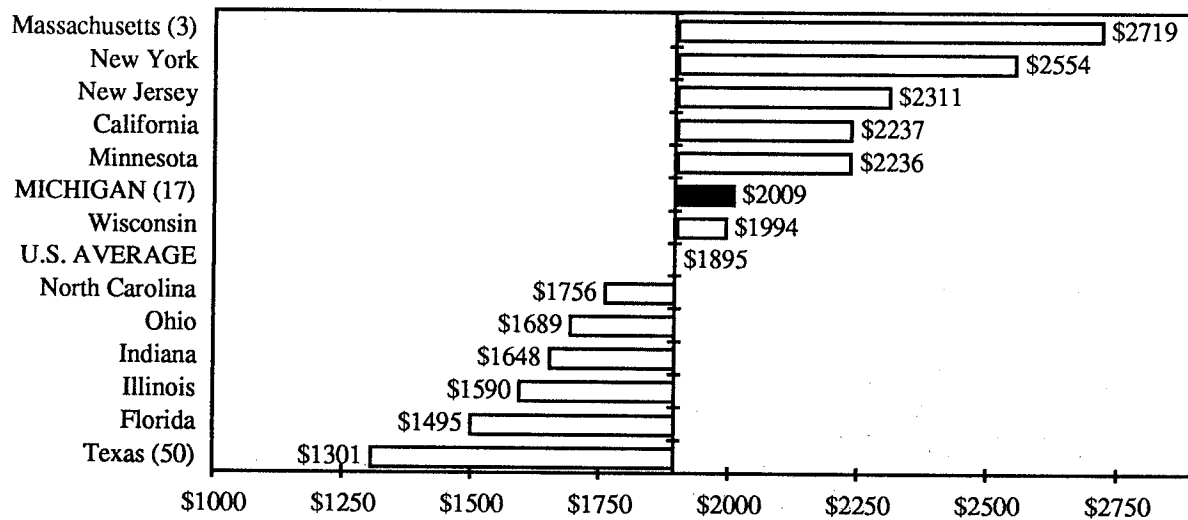
# EXHIBIT 22

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



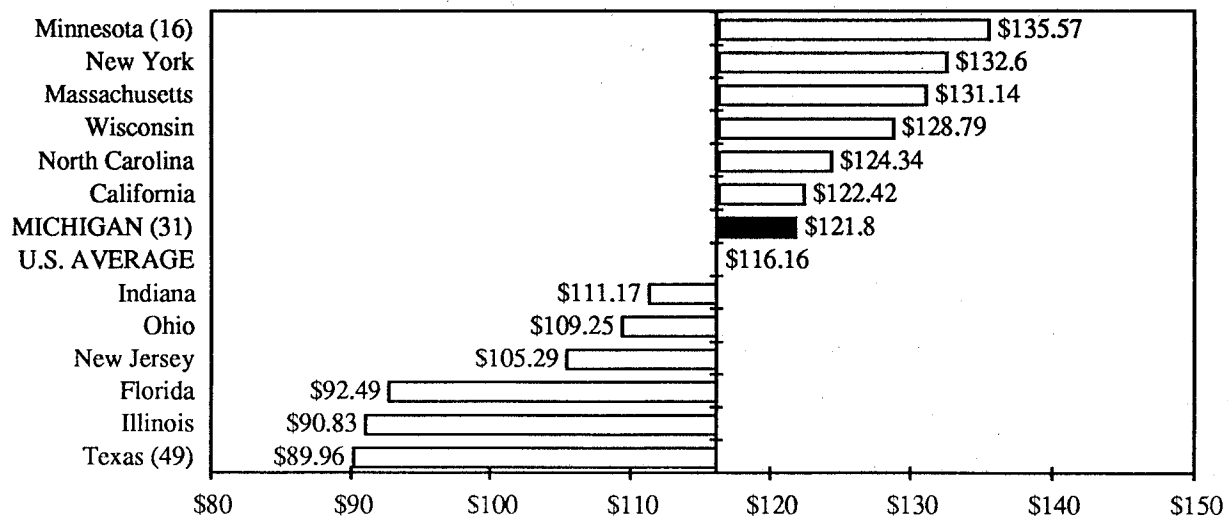
### EXHIBIT 23

#### Per Capita State General Expenditures



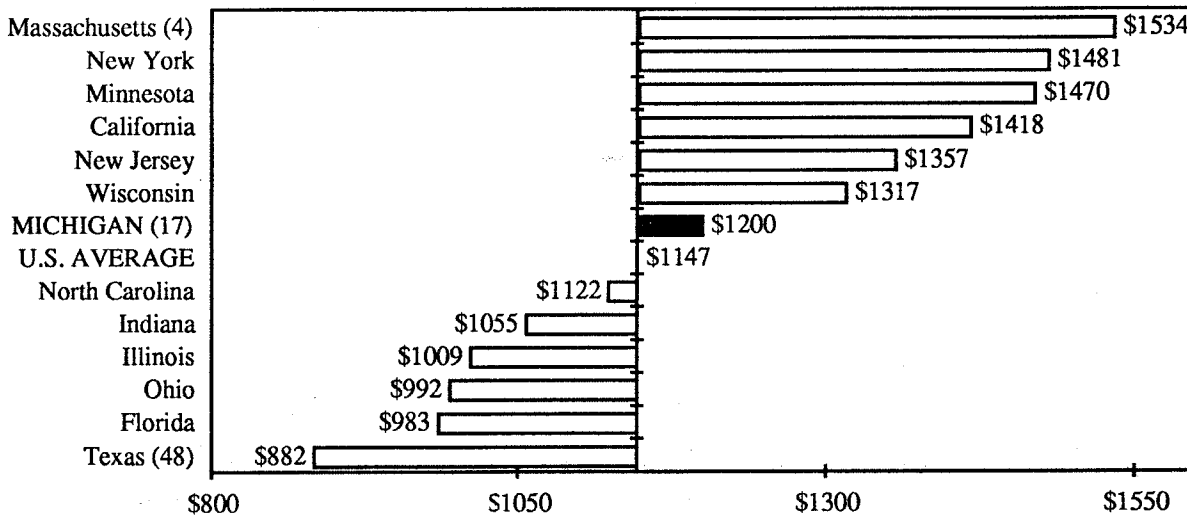
### EXHIBIT 24

#### State General Expenditures per \$1,000 Personal Income



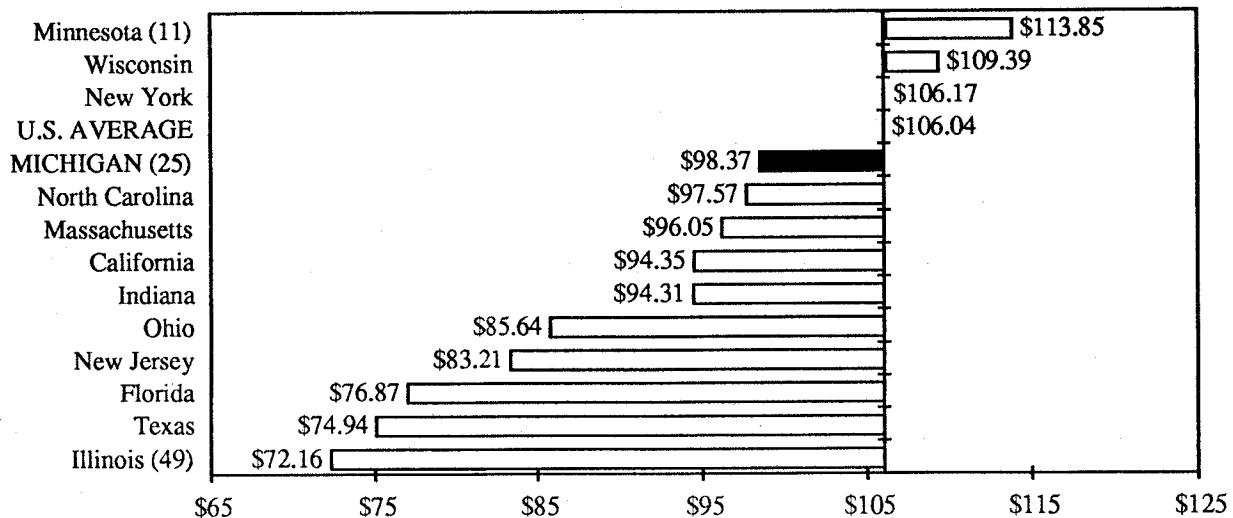
# EXHIBIT 25

## Per Capita State General Revenue (Own Source)



# EXHIBIT 26

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



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