

What MEA is fighting FOR:



I. Update Michigan's antiquated tax structure and put Michigan's fiscal house in order.

1. Eliminate ineffective tax incentives that don't create jobs. MEA has been a leader in this effort, commissioning extensive research by Anderson Economic Group on business tax incentive effectiveness. That research identified 32 different incentive programs – the eight largest, most popular programs cost the state more than \$900 million in nominal tax expenditures per year. Of those eight, three were found to be ineffective when measured against alternative tax policy – in fact, if we had never had MEGA, Renaissance Zones and the Film Incentives, Michigan would now have 25,000 more jobs and \$85 million more in tax revenue per year.
2. Conduct efficiency audits on \$16 billion in government contracts. Michigan spends more on subcontracting government services to for-profit companies than we spend on schools. However, unlike the accountability imposed on schools, the Legislature enforces no accountability on these contractors and the services they deliver. Finding greater efficiency in just 10 percent of these contracts could mean millions of dollars toward fixing our budget problems.

3. Expand the sales tax to cover services, luxury items and Internet purchases. Seventy-five percent of Michigan's sales tax base is in services and other luxury items that go tax free. It doesn't make sense for working families to pay sales tax on clothes and other necessities while things like season tickets, country club fees, landscaping, spa treatments and countless other luxuries go tax free. A 6 percent sales tax on services (other than medical, nonprofits and business-to-business) would generate \$1.65 billion in new revenue.
4. Implement a graduated income tax that would increase fairness and raise \$600 million in new revenue. Michigan is one of only seven states with a flat income tax. While most Michigan earners pay between 9 percent and 10 percent of their personal income in taxes, the top 1 percent only pays about 6 percent. Changing to a graduated income tax would also cut taxes for 90 percent of Michigan families.

To advocate for many of these ideas, MEA is working with A Better Michigan Future, a coalition of more than 30 groups working to fix Michigan's decade-long budget crisis. Learn more at www.ABetterMichiganFuture.org

II. Fix our broken school funding system and improve fiscal stability for school districts.

1. Currently, schools have to set their budget by July 1, before they know the two key variables that affect how much money they'll get – their fall student count and their per pupil school aid allowance. To allow schools to create budgets for the coming year on firmer financial footing:
 - Require the School Aid Fund budget to be completed by June 1, so districts know what their per pupil allowance will be.
 - Use prior-year, blended student counts to allocate per pupil state aid payments, reversing Proposal A's assumption of enrollment increases.

- Develop non-per-pupil-based block grants that fund district operations that don't change based solely on shifting enrollment.
 - Better align state aid payment schedules to begin with the school year in September.
2. Providing more financial stability for districts will reduce the need for fund surpluses. The \$1.6 billion currently in fund surpluses was sent to schools to educate students, not to line the pockets of bankers.
 3. Stabilize School Aid Fund revenue by reducing our reliance on volatile sources (e.g., the sales tax and the Lottery) and ending billions of dollars in special interest tax cuts that have starved schools of needed resources.

III. Target our tax dollars to have the greatest educational impact based on credible, high-quality research.

1. Increase our commitment to early childhood education in order to create a strong academic foundation for all students and realize significant, long-term financial savings (every dollar invested in early childhood programs saves \$7 through decreased future costs on corrections and human services).
2. Provide adequate resources to reduce Michigan's dropout rate by ensuring high-quality Pre-K-12 programs for all students, including: investment in class

- size reduction; at-risk programming; after-school and summer enrichment programs; multiple pathways to high school graduation; and increased teacher training, both before and after they enter the classroom.
3. Use multiple measures to assess student growth and educational accountability, including authentic assessments that measure problem solving, creativity and critical thinking skills.
4. Increase investment in community colleges and higher education to stabilize tuition and ensure that all students have access to an affordable post-secondary education.