



Investing in Michigan's Future

The Michigan Education Association is committed to ensuring a bright future for our state through investment in our most precious resource – our children.

Research consistently shows that there is no better investment in our economy than an investment in public education.

Dollar for dollar, Michigan gets a greater return from education spending than any other economic development tool available.

In order to realize that return on our investment, **we must ensure that Michigan has an adequate, equitable and stable system for funding public schools.**

Over the past decade, however, political leaders in Lansing have systematically disinvested in our state – mistakenly thinking that budget cuts and corporate tax breaks will lead to our economic recovery.

“Investing in Michigan’s Future” is MEA’s plan for changing the course of our state.

This plan is an outgrowth and expansion of MEA’s TEF initiative and focuses on tax policy, economic development and funding for schools.

Working across traditional divides and coordinating efforts with other groups that believe in the power of public education, we will shine a bright light on the fiscal truths around school funding, tax policy and economic development.

We’ll help the public understand the value of *balanced* public policy solutions that don’t sacrifice our future for short-term fixes.

And we’ll get the investment necessary for Michigan’s public schools to prepare students for the jobs Michigan needs.

In this report, you’ll find information about upcoming Investing in Michigan’s Future activities, including our release of new research on tax incentive effectiveness, our publishing of a comprehensive report on school finances, and our work with a coalition advocating for real solutions to Michigan’s budget crisis.



MEA

Michigan Education Association

www.mea.org/investing

Measuring the Effectiveness of Michigan Business Tax Incentives

New MEA/NEA-funded Anderson Economic Group research coming in February

Do tax incentives really create good jobs and long-term economic growth?

It's an important question – especially in these tough economic times. Michigan can't afford to be making bad investments with our limited resources. In 2008, nearly \$900 million in nominal tax expenditures were dedicated to just eight of 36 Michigan business tax incentive programs – that's almost 5 percent of Michigan's combined General Fund and School Aid Fund for FY 2007-08.

But did we get the biggest bang for our 900 million bucks?

In 2009, MEA (with support from NEA) set out to find answers about the effectiveness of Michigan tax incentives by commissioning the conservative Anderson Economic Group to do a three-phase study of these programs.

Phase 1, released in May 2009, found that there is "enormous variation" in the effectiveness of Michigan's 36 tax incentives, as well as a troubling lack of accountability. No specific agency administers the incentives or collects data on their effectiveness, nor is there a proper publicly

available inventory of all of the incentives. In short, despite the millions of dollars incentives cost the state, no one really knows how effective they are.

Phase 2, set for release in February 2010, evaluates the costs and benefits to taxpayers of the eight most popular business tax incentive programs and will provide, for the first time, an objective comparison tool that can be used by taxpayers and policymakers to assess whether specific incentives are worth the tax dollars devoted to them.

Phase 3 of the project will be an annual report that will include updated information on specific tax incentives, their effectiveness and other relevant information.

As a result of the research findings, the MEA supports the passage of **sunshine legislation** that will guarantee corporate accountability for every taxpayer dollar received in the form of incentives from the state and will include:

- An annual reporting of tax expenditures related to business tax incentives.
- The specifics of the businesses that receive the incentives and the nature of the incentives.
- The impact of the incentives on local economies, job creation, and income growth and distribution.

If we stop spending tax dollars on incentives that don't create long-lasting economic growth, we can use those dollars to invest in public education and the preparation of a high-tech workforce that is essential for job growth.



“Dollars & Sense”

Financial Accountability for Taxpayer Investment in Michigan Public Schools

In honor of the financial accountability we all have on Tax Day, MEA will release the first annual “Dollars & Sense” report on April 15, 2010. This collection of self-reported financial data from all Michigan public school districts and charter schools will provide a tool for policymakers, journalists, researchers, MEA members and voters to hold our schools accountable for the money invested in them by taxpayers.

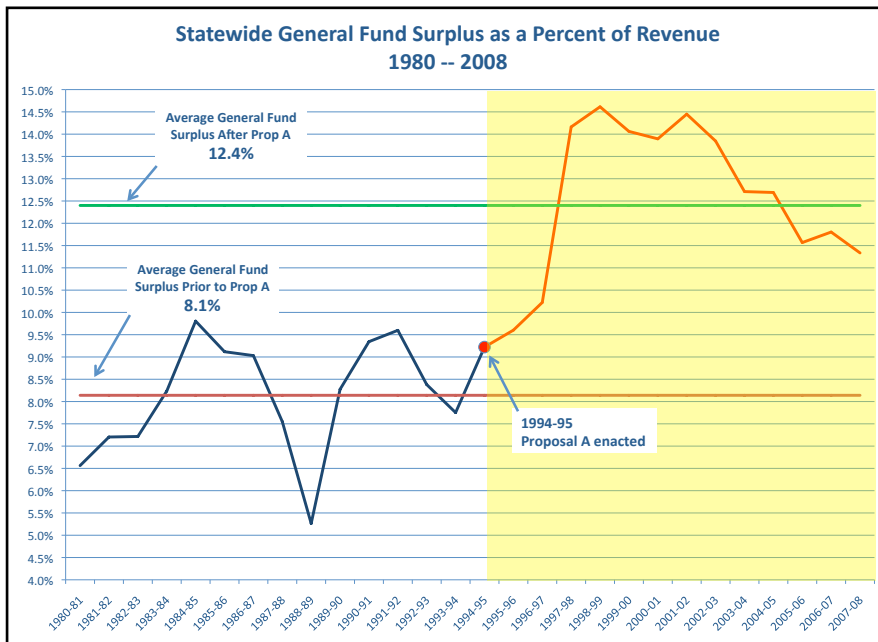
Based on data from the Michigan Department of Education’s Financial Information Database, the report will offer a 28-year historical perspective (14 years before and after the adoption of Proposal A) on the state’s overall commitment to public education and how schools have used that investment to promote student learning.

The “Dollars & Sense” report will feature complete district-by-district data plus rankings

of the top and bottom 25 districts and/or charters in categories such as:

- General Fund revenues and expenditures, in both total dollars and dollars per pupil.
- Expenditures by area (instruction, administration, support, capital outlay and non-educational transfers).
- Fund surpluses, in total dollars, as a percent of revenue and dollars per pupil
- School enrollment trends.
- Trends in school employment, including compensation and staffing levels.

The report will include full data listings as well as charts and graphs – such as the one below – that help tell the story of how Michigan public schools spend (or don’t spend) their tax dollars.



Creating “A Better Michigan Future”

MEA is part of coalition proposing real solutions to state budget crisis

MEA is one of more than 30 groups working together to advocate for real solutions to Michigan’s budget crisis. Rather than more of the cuts-only mentality of the past decade, “A Better Michigan Future” is a campaign for a balanced approach to putting Michigan’s fiscal house in order.

The financial crisis for our state government calls for real reforms – including an end to wasteful tax giveaways and a modernized, fair system for funding Michigan’s priorities. A Better Michigan Future’s Comeback Plan consists of just four reforms that can help bring an end to our decade-long budget mess and move Michigan forward.

1. Audit Government Contracts

Reduce wasteful spending by conducting performance audits on \$16 billion worth of government contracts with an eye toward efficiencies, ensuring Michigan taxpayers are getting the most value for their dollar.

Fast Fact: The \$16 billion in government contracts is more than twice the amount of the General Fund budget (\$7.7 billion) that the Legislature agonizes over each fall.

2. Close Tax Loopholes & Giveaways

Eliminate tax incentives and loopholes for companies failing to create and retain jobs, while requiring yearly performance reviews for all remaining tax credits and incentives.

Fast Fact: According to the Pew Center, Michigan gave away \$6.3 billion more in tax exemptions, credits and deductions than it actually collected in taxes in 2008.

3. Modernize the State’s Sales Tax

Our current sales tax is based on our old economy – we must expand the sales tax to include services and luxury items to ensure stable revenue into the future.

Fast Fact: 75 percent of potential sales tax revenue comes from services, up from just 40 percent in 1950.

4. Implement a Graduated Income Tax

Michigan is one of only seven states with a flat-rate income tax. We must modernize our tax code to ensure fairness and equity, while offering a tax cut to 90 percent of Michigan families.

Fast Fact: Most Michigan families pay between 8 percent and 10 percent of their income in taxes. However, the top 5 percent (making more than \$365,000 per year) pay only 6.4 percent.

As part of A Better Michigan Future, MEA is committed to advocating for these common sense reforms that will help update our antiquated tax structure and put Michigan on a path to providing adequate, equitable, stable funding for public education.

Learn more about A Better Michigan Future and how you can get involved at www.abettermichiganfuture.org.