



Friday, October 26, 2007

**Iris Salters: Labor Voices**

## **State should end tax giveaways**

### **Investing in public education creates more jobs than tax cuts or breaks**



After months of negotiations and posturing, our legislators are closer to resolving this year's budget crisis. But among the things they haven't looked at reforming is our corporate welfare system. Scaling back tax giveaways to big business could allow our state to invest in public education -- and the future of our children and our state.

Businesses receive corporate welfare, such as tax subsidies, incentives and abatements, usually with no strings attached. These incentives are supposed to attract and retain businesses, as well as jobs for Michigan workers.

But what happens when promised jobs aren't delivered or kept in the state? Nothing. There are no penalties or fallbacks.

#### **History of tax abatements**

One of the oldest of these tax giveaways in Michigan is Public Act 198. Passed in 1974; it gives a 12-year property tax abatement to companies that preserve or expand jobs.

A recent study conducted for the Land Policy Institute at Michigan State University concluded that local governments lost \$1 billion a year in property tax revenue "in a largely futile effort to attract and keep manufacturing jobs."

If these tax giveaways worked, it may make sense to use them to attract or keep businesses in the state. But they don't work, especially in a global economy where Michigan is competing for jobs with Malaysia rather than Minnesota. Taxes aren't what really matters in choosing where to locate a business.

When Volkswagen recently decided to move its North American headquarters out of Michigan, President Stephen Jacoby said the automaker's new home in northern Virginia offered good schools and skilled workers. He made no mention of either states' taxes.

Evidence suggests that dollar for dollar, an investment in public education will create more jobs than an equal amount of tax cuts or spending in any other sector.

In a typical state, \$100 million in tax giveaways will create 2,200 new jobs. The same investment in education will create 4,400 jobs, according to the Sierra Institute for Applied Economics.

America's economy would grow by \$309 billion if all high school students graduated. In 2006, more than 45,000 Michigan students didn't graduate from high school, resulting in a loss of \$12 billion in lifetime earnings. If students of color graduated at the same rate as white students, \$3.7 billion would be pumped into the economy by 2020.

Michigan has a blueprint to help those students stay in school and to go to college or into

career training programs. There are new high school graduation requirements to prepare students for a brighter future and a proposal to require students to stay in school until they're at least 18. But it'll take an investment in public education to make those programs work. Instead of choosing to spend potential state money on tax giveaways, let's invest those dollars in education to prepare students for 21st-century jobs. Let's reduce class sizes to give students more individual time with teachers. Let's buy the books and hire the teachers needed to meet the new graduation requirements. Let's invest in at-risk programs to keep students from dropping out.

**Public schools shorted**

It's hard to fathom why states like Michigan continue to hand out tax breaks and other so-called incentives. Such giveaways take potential resources away from already underfunded public schools and other critical services. Michigan's unfair economic development policies exacerbate the financial struggle facing our education system.

We must make smarter investments with the limited funds these tight economic times provide. Instead of tax giveaways, let's invest those dollars in our future.

The return on that investment will transform our students' lives -- and Michigan's economy.

*Iris Salters is president of the Michigan Education Association, a union that represents teachers and education support staff. Fax comments to (313) 222-6417 or e-mail to [letters@detnews.com](mailto:letters@detnews.com).*

**Find this article at:**

<http://www.detnews.com/apps/pbcs.dll/article?AID=/20071026/OPINION03/710260308>