

Michigan

From 2002 to 2008, Michigan's spending increased the most in the hospitals (41%) and welfare (41%) categories. The state saw spending fall in four categories: salaries and wages (-1%), natural resources (-28%), parks and recreation (-55%), and health (-58%). All ranked among the bottom three states in terms of spending growth. In addition, the 15% increase in education spending during the period was the smallest in the nation. The most dramatic change, compared to other states, was in the health category, which went from the fourth-highest spending per capita in 2002 to 40th in 2008. The state's overall general spending increase of 14% was the lowest in the nation.

Michigan was the only state in the country to see its total revenue decline during the period (-4%), and its total tax revenue growth of 13% also ranked last in the nation. While corporate income taxes were the fastest growing tax revenue category in most states, they actually fell 14% in Michigan (ranking it last of the 46 states that collected a corporate income tax). Personal income tax revenue increased 17% (smallest of the 43 states that collected an individual income tax), and general sales tax revenue saw a slight gain of 6%, ranking 43rd of the 45 states that collected a general sales tax. Despite the declines, general sales tax and corporate income tax revenue per capita remained among the upper half of states (21st and 14th, respectively) in 2008.

<i>Spending</i> (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Corrections	1,690,175	8	1,863,464	15	-7	10%	47
Education	19,132,555	3	21,962,651	11	-8	15%	50
Government Administration	932,106	43	1,073,964	45	-2	15%	37
Health	2,939,984	4	1,232,875	40	-36	-58%	50
Highways	2,716,985	38	2,763,775	42	-4	2%	41
Hospitals	1,630,410	14	2,299,233	18	-4	41%	24
Interest on Debt	1,063,637	24	1,309,650	28	-4	23%	32
Natural Resources	507,993	35	363,826	44	-9	-28%	48
Parks and Recreation	197,888	25	88,249	45	-20	-55%	48
Police Protection	336,613	27	346,258	37	-10	3%	44
Public Welfare	9,524,431	24	13,430,826	19	+5	41%	25
Salaries and Wages	6,038,060	32	5,974,110	43	-11	-1%	48
Direct Expenditures	24,760,355	33	30,312,437	43	-10	22%	48
General Expenditures	43,827,413	15	49,825,040	25	-10	14%	50
Total Expenditures	49,027,432	18	56,869,012	27	-9	16%	49

Taxes (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Personal Income Tax ¹	6,125,270	27	7,181,055	36	-9	17%	43
General Sales Tax ²	7,784,308	10	8,225,599	21	-11	6%	43
Corporate Income Tax ³	2,065,241	4	1,778,317	14	-10	-14%	46
Total Taxes	21,864,052	10	24,781,626	25	-15	13%	50
Total Revenue	43,935,634	14	42,259,206	45	-31	-4%	50

¹ Personal income tax per capita rankings are out of 43 since seven states do not collect personal income taxes.

² General sales tax per capita rankings are out of 45 since five states do not collect general sales taxes.

³ Corporate income tax per capita rankings are out of 46 since four states do not collect corporate income taxes.

Comparison to Baseline Growth

One sound rule of thumb is that government expenditures should not increase more than the combined increase in population and inflation growth. This allows the government to maintain service levels and accommodate increased costs due to an expanding population and rises in the cost of living. For the 2002–2008 period, the Consumer Price Index, used to measure inflation, increased approximately 20% and Michigan’s population remained virtually unchanged. This yields a “baseline” growth of 20% for the period. The figure below compares the difference in Michigan’s expenditures and revenue for the period to this baseline for 15 spending and five revenue categories.

