

## II. Another Perspective on the Budget and Tax Situation in Michigan:

According to the Legislative Council of Michigan, a bipartisan, bicameral body of legislators established in Article IV, Section 15 of the Constitution of Michigan:

### “Potential Overarching Conclusions

- The state’s problems are largely structural, driven primarily by
  - The changing nature of Michigan's population, including
    - Shrinking population
    - Aging population
    - Shifting population in terms of where they reside
  - Job loss
  - On the revenue side, tax policy and structure
- The size of the State’s government is no longer appropriately linked with the state’s current resources/tax base, which is shrinking and not in sync with Michigan’s current economy [note that we believe this too must be addressed although our charter/mandate was limited to efficiencies and the budget]
- The state’s solutions must deal directly with the structural problems
  - The size of the problem is such that the state's leadership needs to fundamentally rethink the size and structure of government across all levels and “who is doing what”
  - Left unchecked, the structural deficits will likely grow larger each year in the face of increasing job loss and shrinking tax base
  - Neither an economic recovery nor incremental improvements in efficiencies will be sufficient to address the issues
  - All units of government are facing issues, so cost shifting won’t necessarily be productive; need to think about taking costs out “throughout the system” and exploring and capitalizing on existing collaborative efforts to drive increased efficiencies
    - Local governments
    - K-12
    - Corrections
    - Significant increases in health care costs throughout all units of government [human resources, nurses, doctors, technology, pharmaceutical drugs as examples]
- A series of actions is needed -- from the short-term to the long-term – to create a “road map” to fiscal health; recommendations span
  - Short-term...what we can do in the next year
  - Intermediate-term...what we can do in 2 – 3 years
  - Long-term...what we can do in 3+ years
  - Focus on efficiencies instead of cuts; to the extent cuts are suggested, they are offered in the context of structural recommendations and not cuts for the sake of cuts.
- Cross-cutting and underlying principles are the foundation of our recommendations
  - Look to optimize across all levels and units of government
  - Address underlying structural issues
  - Be holistic in the approach (look at all aspects of the budget and government operations)
  - Create a roadmap to fiscal stability
  - Be of sufficient magnitude to make a difference”

[http://council.legislature.mi.gov/files/lcge/potential\\_overarching\\_conclusions.pdf](http://council.legislature.mi.gov/files/lcge/potential_overarching_conclusions.pdf) 7/14/09