

Public Education Series-Q&A/Comments Response Log for October 26, 2006

QUESTIONS:

- 1) You detailed problems of auto industry. Are there measures states and its units can do to promote tourism industry to fill gap?
- R) The State maintains a tourism office to promote Michigan. Additional tourism can improve Michigan's economy and its budget. Additional tourism will increase sales and use tax receipts resulting from additional consumption. Presumably, a large portion of the additional consumption would come from outside of Michigan, which would mean Michigan residents are not shifting their consumption behavior. Other consumption taxes would be expected to increase, including such things as hotel tax, cigarette, and liquor. Similarly, added tourism will increase income tax receipts resulting from employment gains. It is unlikely, however, that tourism can make up for the significant employment losses experienced in the auto sector and manufacturing.

- 2) Is there anything state could do to allow ours to drop out of group health insurance/Medicaid, to allow direct pay basis similar to veterinarian field?
- R) I am not aware of any such measures. This would leave a great number of people without health insurance. Over 1.5 million Michigan residents are covered by Medicaid. The Medicaid program is a cost-sharing program for health care targeting the poor, disabled, and children. The State is required to match Federal dollars provided for this program. It is likely that those Federal funds would not be available if the State decided not to participate in the program. State financing of health care would be much more expensive than a joint-financed program, such as Medicaid.

- 3) It seems to me if auto insurance covered expenses like oil changes & gas purchases that industry could be in as big a mess as the medical insurance industry today.
- R) This is more of a statement than a question.

- 4) Is it true that there is less going toward education from the lottery because of casinos in Michigan?
- R) Passage of Proposal E in 1996 permitted the construction and operation of three casinos in the City of Detroit. A tax was applied to the adjusted gross receipts of the casinos. This tax revenue was shared between the City and the State of Michigan. Originally, the entire amount of the tax revenue going to the State was dedicated to the State School Aid Fund. In 2004 this tax was increased and a portion of the revenue dedicated to the State's General Fund.

Initially, there was some reduction in lottery sales resulting from the introduction of casino gaming in the City of Detroit. However, it is important to remember that 100% of the State-portion of the casino tax was dedicated to the School Aid Fund, which also received the net proceeds from the Lottery. Overall,

introduction of casino gaming in the City of Detroit increased deposits to the School Aid Fund by about \$90 million (after factoring in the reduction in lottery sales). There is more money going to the School Aid Fund as a result of casinos.

- 5) Of the bordering states that have lower prisoner rates, how many have the death penalty?
R) Of the “Great Lakes” states, Michigan, Minnesota, and Wisconsin do not have the death penalty. Indiana, Illinois, and Ohio have the death penalty. All of these states have lower incarceration rates than Michigan.
- 6) Is there a correlation between the state with higher spending for corrections and those with capital punishment enacted?
R) I am not aware of such a correlation.
- 7) Governor Engler borrowed from the teacher’s pension fund, the Court said it must be repaid. Was it ever returned?
R) We can not find record of such borrowing. We contacted the State of Michigan, Office of Retirement Services and they were not aware of any incidence of borrowing from the teacher’s retirement system. With more specific information we could pursue this inquiry.
- 8) State employees (12%-). Governor Granholm gave indefinitely payment to equal the money all State employees make in the service to equal their state salary. That took a chunk out of the budget. I believe all State employees should not get this benefit.
R) Responded to live, see video.
- 9) If there was a major reformation of the health care system shifted from business to federal responsibility, would this solve most of our problems?
R) Responded to live, see video.
- 10) As a borderer state, Homeland Security spending must be a concern. What efforts are being done at the State level to ensure the State is receiving adequate funding through federal funding?
R) Responded to live, see video.
- 11) Could you comment on the rumor of the elimination of personal property tax and the effect on the State budget?
R) Responded to live, see video.
- 12) K-12 education receives sales tax and lottery dollars, is there money from other sources that supports education?
R) Responded to live, see video.
- 13) Where has the greatest drop-off in state revenue? Income tax? Sales tax? Why?
R) Responded to live, see video.

- 14) What does the CRC recommend to solve the problem?
R) Responded to live, see video.
- 15) What is the rationale for not taxing services? What is the potential additional revenue the State could gain by doing so?
R) Responded to live, see video.
- 16) What “loopholes” exist today that could be closed and create a significant source of revenues?
R) Responded to live, see video.
- 17) How much revenue is taken in by the lottery and is that added to the 21% of the General Fund amount?
R) Responded to live, see video.
- 18) Does Michigan tax resident or business more? How does this compare to other states?
R) Responded to live, see video.
- 19) Does Michigan spend more than other states? If so, why?
R) Responded to live, see video.

END for October 26, 2006