

Michigan governor proposes massive cuts to fund business tax cut

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Michigan's new Republican governor Rick Snyder announced a budget February 17 that attacks the elderly, schoolchildren, public employees, municipal services, and low- to middle-income earners. The \$1.7 billion that the governor proposes to raise through a combination of budget cuts and tax increases for retirees and workers will be used to finance a \$1.8 billion tax break for businesses.

Snyder's plan constitutes an open and direct transfer of wealth from the working class to the wealthy. The claim by the governor that his budget represents a vision of "shared sacrifice" is absurd on its face. The rich and the corporate elite are not being asked to sacrifice a penny.

In order to raise \$900 million, Snyder proposes putting an end to Michigan's practice of not taxing retirement income, a move that Eric Schneidewind of the American Association for Retired People described as equivalent to declaring "war on older Michiganders." Tens of thousands of retirees who live off public and private pensions earned over decades of work will see their incomes decline, under conditions in which many of those who once worked in the auto industry have seen their health insurance slashed.

At the same time, Snyder's budget will eliminate other tax exemptions for the elderly, as well as families with children, and make many middle-income working people ineligible for Michigan's homestead property tax credit.

While Snyder made no mention of the issue in last Thursday's address, he is also proposing to ax the state's Earned Income Tax Credit (EITC), which gives a several hundred dollar tax break to 800,000 of Michigan's poorest residents. Speaking on the issue, Lieutenant Governor Brian Calley blithely told lawmakers recently, "We don't believe there is any

additional incentive for adding it to the Michigan tax code."

Speaking to the *Detroit Free Press* on Friday, the governor indicated that the money withheld from the poor by axing the EITC would be used to fund Medicaid. He warned all those lobbying against the elimination of the tax credit that if they pressed the issue, the state would end up reducing payments to Medicaid doctors, thereby further crippling the already overstretched program.

In addition, the governor's proposed budget calls for slashing aid to state municipalities by \$400 million. Local governments across Michigan are describing the reduction as a catastrophic measure that will dramatically affect emergency services, public transportation, infrastructure, parks and recreation, as well as health and safety. Detroit, for example, will lose \$178 million, and Flint, also once a leading industrial town, \$8.1 million, or 40 percent of the city's entire operating budget.

Using a competitive model pioneered by the Obama administration in its Race to the Top education policy, Snyder has said that up to \$200 million in funding for municipalities could be restored in those areas where representatives agree to enforce wage and benefit reductions, job cuts, and other attacks on public employees.

At the statewide level, Snyder is proposing that Lansing do its part to drive down the living standards of government workers by demanding they pay higher premiums for their health care and slashing other benefits. This will save the state \$180 million.

The *Detroit News* reports that Michigan Budget Director John Nixon "said unions will have a strong incentive to come to the table because the state will have to look at other options if the savings on health

care premiums and other costs are not found.” While the newspaper added that Nixon claimed he was not alluding to layoffs, it is clear the threat of this will be used to try to browbeat public employees into accepting concessions.

In the sphere of education, Snyder proposes reducing funding for public universities by 15 percent, or \$225 million. In an effort to sow division between K-12 and university educators, the governor has suggested that the state’s K-12 education fund, which currently has a \$672 million surplus, be handed over to Michigan’s community colleges and universities to offset their losses. The effect will be a \$249 per-pupil reduction in K-12 spending. At the same time, the governor’s budget proposes that public school teachers be made to pay 20 percent of their health care premiums, significantly reducing educators’ wages.

Experts have calculated that when all the proposed cuts affecting public education are combined, in reality Michigan schools will see a \$700 reduction in per-pupil spending.

Providing some indication of what’s in store for Michigan’s public schools statewide, state officials announced that they had approved plans by Detroit Public Schools Emergency Manager Robert Bobb to close half of the district’s schools, consolidate operations and increase high school class sizes to 60. Bobb has been authorized to immediately implement his financial restructuring plans.

The scale of the bloodletting being planned is such that Michigan Schools Superintendent Mike Flanagan, who backs Governor Snyder’s plans, was forced to encourage people in a Friday podcast “not to panic.” His remark was, no doubt, made with fears in mind that mass protests could erupt against the proposed budget in Michigan, similar to those ongoing in the nearby state of Wisconsin.

Other cuts on the table in Snyder’s budget include axing \$42 million from prisons, slashing 300 field positions at the Department of Human Services, eliminating grants for reduced class sizes and bilingual education, closing Michigan State Police outposts, shuttering the Workers’ Compensation Appellate Commission and ending dairy farm inspections.

While laying waste to public services across the state, Snyder’s budget is a corporate boondoggle. If passed, it will replace the Michigan Business Tax with a flat six

percent corporate income tax, a move that will give a slight boost to small businesses—a fact receiving wide coverage in the press—but overwhelmingly benefiting large companies. The state chamber of commerce and other business organizations have applauded the governor’s budget enthusiastically.

Observers have noted that despite the scale of the cuts being proposed, the state’s overall budget will decline only slightly, given the decrease in business taxes. The \$1.8 billion to be forked over to corporate interests is roughly equivalent to the state’s budget deficit.

What is being proposed in Michigan by the Snyder administration is a variant of what is happening in state after state, under Democratic or Republican control alike, across the US. In carrying out draconian budget cuts, state representatives are following in the footsteps of the Obama administration, which has proposed a \$1 trillion reduction in federal spending.

Working people in Michigan must begin to mobilize politically to fight against the assault taking place, joining the struggle of their fellow workers in neighboring states and internationally. They should not accept the false support of the trade unions and the Democratic Party, which openly accept the claim that ordinary people must “make sacrifices.” These forces have systematically worked to impose those sacrifices on the population for decades. A genuine struggle demands a movement of working people that is independent of any party of the political establishment, and above all, thoroughly rejects the idea that the interests of private profit should reign supreme.

The author also recommends:

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