

# Michigan Democratic Governor Whitmer signs state budget, automakers cash in

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On Tuesday, March 7, Michigan Democratic Governor Gretchen Whitmer signed into law a record-setting \$79 billion budget. Unexpectedly high tax revenues flowed into the state's coffers last year as a result of the automotive industry's sky-high profits. This, combined with one-time federal pandemic relief, has produced an unprecedented \$9.2 billion cash surplus for the state.

What did the Democrats opt to do with this windfall? Providing lavish handouts to industry was the first priority. Seeking to cover her tracks in the vein of the discredited Biden "Build Back Better" program, Whitmer also added some modest tax relief for individuals and a smattering of social spending.

For the first time in 40 years, Michigan is under Democratic Party control in both legislative houses and the governor's chair. Whitmer, like Biden, has emphasized her ability to work "across the aisle to solve problems" in tandem with the fascist Republican right, despite the plot on her life in 2020. This budget follows the same right-wing, pro-business playbook.

In the lead-up to the vote, the media focused on a dispute between Democrats and Republicans over Whitmer's recommendation of a \$180 rebate check to state residents. Democrats had sought the tiny "inflation relief" checks as a maneuver to forestall an income tax reduction triggered by the state's high revenue. Although Republicans successfully blocked the measure, neither proposal translates into real relief for workers facing mounting grocery bills, rising interest rates and worsening social conditions. The outcome of the tax reduction trigger is still pending the completion of the state's fiscal year accounting.

In other tax changes, the budget begins to reverse (over four years) the 2011 measure which punitively taxed pensions. It will also bump up the formula for the federal Working Families Tax Credit (formerly the Earned Income Tax Credit). The extra funds add up to about \$550 on average for 700,000 eligible households. At her State of the State address, Whitmer made a special point of touting this pittance, referencing the statements of arch-reactionary former president Ronald Reagan who arrogantly called it "the best anti-poverty, the best pro-family, the best job creation measure."

## Automakers cash in

Big business will be the main beneficiary of the new budget. For

the first time, the budget bill mandates annual payments into the Strategic Outreach and Attraction Reserve (SOAR), a "state economic development" slush fund for the state's most powerful business interests. The new budget stipulates that \$1.5 billion go to SOAR over three years.

This is only one component of Michigan's corporate welfare policies. The automakers have in place decades-long tax credit arrangements. GM, for example, will net as much as \$2.28 billion in tax savings through the end of 2029.

Ford and other automakers have demanded that compliant state officials essentially subsidize the costly transition to electric vehicles, which will entail a massive restructuring of the auto industry, including pay cuts for EV workers and major downsizing. States such as Michigan are engaged in a bidding war to attract investment. The Whitmer administration had come under attack from Republicans for failing to win the bid for Blue Oval City, Ford's massive new electric vehicle complex, which went to Tennessee instead.

Determined to make amends, on March 8, the day following the budget's passage, Whitmer signed a \$1.3 billion supplemental plan, which hands Ford Motor Co. \$630 million to create the Blue Oval Battery Park Michigan in Marshall. Between \$210 million in state incentives, the \$772 million in tax abatements the company will receive, and the additional \$750 million investment in site preparations requested Wednesday, the total state investment in the Marshall Megasite, code-named "Project Hickory," is \$1.7 billion out of the private company's \$3.5 billion project.

Whitmer remarked, "Today, I'm proud to sign a supplemental package that will create 2,500 good-paying jobs in Marshall, improve infrastructure, grow our healthcare workforce, and so much more!" Other state politicians agreed. Rep. Phil Skaggs, D-East Grand Rapids, said of the \$750 million in-site quote, "It is not a blank check to the corporation. It is simply smart government to build the infrastructure around which private enterprise can thrive."

Based on the above cited figures, the state will have paid \$680,000 for each of the projected 2,500 jobs that will be created by Ford! It has already been announced that the "good-paying" jobs will be less than \$20 an hour, benefits included, that will have the net effect of depressing the prevailing wages in Marshall.

Other business subsidies included in the new budget are: \$200 million over 10 years for the Onshoring Clean Energy Supply Chain Tax Credit for "clean manufacturing" and well over \$100

million to spur sales of electric vehicles in the state. To that end, the state will “temporarily” pause individual’s sales tax on electric vehicles, provide \$150 million to fund matching grants for school districts switching to electric vehicles, invest \$65 million in electric vehicle charging infrastructure networks and access, and give \$45 million to local governments and businesses and another \$10 million to the State of Michigan to finance their transition to electric vehicles.

Finally, in view of these handouts, it should be emphasized that for 2022, General Motors posted a record \$14.5 billion in earnings before taxes; Ford Motor Co.’s figure was a “disappointing” \$10.4 billion; while Stellantis’ net profits surged 26 percent to €16.8 billion (\$17.9 billion). Rather than improve workers pay and benefits or invest in new plant and equipment the auto companies are engaging in “stock buybacks.” This completely parasitic policy decreases the number of outstanding company stock certificates and funnels cash to shareholders driving up their profits.

### **A “historic education investment”**

Whitmer, together with the Michigan teachers’ unions, touted the 2023 budget as a “historic education investment.” David Hecker, president of the AFT in Michigan, enthused, “Since taking office, Governor Whitmer has delivered record investment in public education and this year is no different.”

In fact, the budget continues the disinvestment in public education ongoing for decades under both Democrats and Republicans. It contains a 5 percent increase in per-pupil funding for schools, which in the face of 6.5 percent inflation means an actual cut for all districts. Despite the one-time \$6 billion in federal funds at the state’s disposal, educators have never recovered from years of pay cuts, escalating health care costs, and the elimination or evisceration of pensions.

The state’s largest school district, Detroit Public Schools Community District, has already begun layoffs under the impact of high inflation and the imminent depletion of pandemic aid funds. A similar financial cliff looms across the state’s school districts, coupled with historic underfunding of pensions which add to the budget cuts.

The cuts to public higher education threaten to be even more destructive, as there will be only a 4 percent increase to community colleges and public universities, considerably below the rate of inflation.

Whitmer’s public relations has made much of the \$300 million “expansion” of the pre-K Great Start Readiness Program which will increase income-based eligibility for free child care. However, the state has reverted to enrollment-based funding to pre-K providers (all private companies, paying minimum-scale wages). No longer receiving state support based on capacity, but headcounts, many of these businesses have cut back.

In other words, “child care deserts” will persist and most parents will continue to be strapped to find licensed, staffed day care locations. Moreover, both Head Start and Great Start Readiness

Program operate only four days a week in Michigan.

### **Police**

Under conditions of growing poverty across the state and mounting social opposition, Whitmer’s budget increases funds for repression. The official press release on the budget notes a recent supplemental funding of \$500 million for police and total of, “\$1 billion in funding since Governor Whitmer took office.” The new budget, it says, “includes dedicated resources for the first time ever to hire, train, and retain local cops, firefighters, and EMTs and upgrade public safety facilities and equipment.”

“Budgets are about priorities. We are thankful that the Governor’s budget proposal makes clear that safer communities and better policing are priorities,” said Rob Figurski, president of the Michigan Association of Police Organizations. “Law enforcement needs resources not rhetoric.”

The budget provides \$50.4 million to the State Police Training Academy, \$36.6 million in new revenue sharing to police departments, and additional millions for training, prisons and the Selfridge Air National Guard base.

### **The poisoning of Flint and beyond**

This budget does not make the residents of Flint whole for the mass poisoning of their water in 2014, nor does it fund the urgent need to replace lead service lines still in operation.

Underscoring the widespread problem of lead-in-water, Michigan schools have been rated “failing” by the Environment America Research & Policy Center for the state’s ongoing failure to protect children from lead. In contrast to the billions handed to the businesses responsible for the poisoning of Flint and the social crisis across Michigan, the budget calls for an inadequate \$226 million to remove and replace 40,000 lead service lines and \$122.5 million for water filter distribution and plumbing replacement in communities with lead contamination.

Michigan’s plan will not replace all lead service lines until 2041. John Rumpler, an attorney with Environment America, argued for a comprehensive approach, explaining, “... we may not have a lot of schools with lead service lines, but we do have, in most of our schools, faucets, fountains, plumbing, valves, all kinds of water delivery system infrastructure that has enough lead in it to contaminate the water that our kids drink.”



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