



Benchmarking Michigan's state and local government revenues and expenditures

Michigan Townships Association

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The Michigan Townships Association promotes the interests of township government by fostering strong, vibrant communities; advocating legislation to meet 21st century challenges; developing knowledgeable township officials and enthusiastic supporters of township government; and encouraging ethical practices of elected officials who uphold the traditions and unique characteristics of township government and the values of the people of Michigan.

FOREWORD

Michigan's chronic budget structural deficits have prompted a number of proposed solutions, including "across the board" budget cuts, cuts to "wasteful" spending, "surgical" budget cuts, reducing public employee salaries and benefits, restructuring state and local government, cutting taxes, expanding sales or use taxes to services, and a graduated income tax. To advance the argument for these reforms, proponents often assert that such reforms will make Michigan more "competitive" with other states in attracting and retaining businesses, and creating desperately needed jobs.

Competitiveness with other states should be an important element in debates centering on restoring Michigan to greater prosperity. Benchmarking Michigan's state and local revenues and expenditures can illuminate whether Michigan governments are cutting costs simply to balance their budgets and risking future prosperity, or whether policymakers at all levels are strategically cutting costs and also making the Michigan economy more competitive.

Restoring Michigan to prosperity is the Michigan Townships Association's overriding strategic goal, given the dire conditions of the state's economy. With over half of the state's population and more than 96 percent of the state land area, Michigan's townships are directly impacted by the Michigan economy and by many of the public policy initiatives that have surfaced to address chronic economic struggles. Townships play an important role in quality job creation—the most important component to creating prosperity. Townships deliver critical services and amenities that make Michigan attractive to prospective employers and for retaining Michigan's talented, creative and productive workers. Consequently, the MTA membership is supportive of public policies impacting on government revenue streams and delivery of services that will likely achieve their intended results and avoid unintentional adverse consequences. Appropriate public policies are more likely to emerge if policymakers focus reform efforts on the areas where Michigan government performance actually lags behind other states, while seizing on opportunities to build on the areas where Michigan actually outperforms its competitors.

With Michigan's state budget in perpetual structural deficit and many counties and local governments short of revenues sufficient to sustain long-standing programs and services, policymakers and pundits have suggested that government spending and revenues need reforming to conform to the averages of other states. "Benchmarking" Michigan's business tax structure to that of other states has been suggested as a way Michigan can be competitive in attracting and retaining businesses to lower unemployment and return Michigan to a higher level of general prosperity. Presuming that Michigan's state and local governments are inefficient, bureaucratically bloated and unnecessarily costly is a common hypothesis of government reformers. The assumption that Michigan taxpayers pay too much for the government services begs the question, How do the cost of government services in Michigan compare to services in other states? Do Michigan taxpayers pay more taxes than do their counterparts elsewhere?

To advance an objective, data-driven benchmark examination of Michigan state and local government, this study presents recently released U.S. Census Bureau *2008 State and Local Revenue and*

Expenditures summaries adjusted to per capita amounts for state-by-state comparisons of state and local government revenues and expenditures.

Adjusting total state-by-state revenues and expenditures to reflect the amount that every person contributes in tax revenues and for the cost of services allows a valid measurement of Michigan's government operation efficiency in comparison with other states. In select cases, the 2008 information was calculated for 2002 to provide a perspective of the trends for these revenues and expenditures given the state of the economy and recent public policy decisions. MTA provides this material to assist our state's decision-makers in establishing the appropriate path that our state will choose for years to come.

EXECUTIVE SUMMARY

Proposals to reform Michigan government to reduce costs while maintaining acceptable service levels deserve careful consideration. However, the data presented here demonstrates that Michigan government expenditures have been substantially driven down by declining resources, even without major reforms to the Michigan government structure.

It is beyond the scope of this paper to analyze all of the programmatic impacts of reduced government spending, but clearly “uncontrolled spending” is a mischaracterization of state and local government budget practices. However, the data demonstrates that Michigan public policymakers, at all levels, are approaching the challenge of funding government with fewer resources than the levels available to their counterparts in other states. As declining revenues drive down state and local government employee compensation in the same manner that fewer resources is causing an overall decline in public spending, per capita expenditures for most services will continue to decline.

Spending on local government services continues at a level much below the national median in almost every category. Local government expenditures for general administration have consistently been approximately 30 percent below the national average. There are likely a number of reasons why Michigan local governments spend less on a per capita basis on most services than the national average, but one reason in particular stands out: While public sector compensation exceeds the national average for many positions, compensation levels are more than offset by Michigan local governments employing far fewer employees per capita.

Michigan has also plunged to the bottom in public infrastructure spending. This fact should be particularly troubling, because public facilities, including roads, contribute to our quality of life and business attraction and retention. In just six years, tax support for education has gone from a national top 10 status to barely average.

Michigan’s income tax and sales tax revenues reflect a declining state economy that is losing ground to the rest of the nation in deriving revenue from these sources. Michigan now ranks well below the national median on revenue collected from its income and sales taxes. Revenue from business income taxes declined as well, while the nation as a whole saw this revenue source increase dramatically during this time period. Because of some unusual provisions of Michigan’s property tax laws, revenue yields from this source remained consistent until the most recent severe decline in property values.

However, the critical question that must be asked is, Are cuts to state and local programs, services and investments, as well as policy-driven revenue reductions, positioning Michigan for a more prosperous future, or are they limiting the ability of state and local governments to provide the amenities that businesses desire when they choose where to create high-paying jobs?

OVERVIEW

There is no question that Michigan's economy has been pummeled since the beginning of the 21st century. Expenditures for some state and local government operations have withstood the economic storm with only minor damage; other parts have been battered to a point that achieving any meaningful level of efficacy must be questioned.

Everyone has their perceptions on what the state's economy has done to government operations, but to really understand the impacts, a more specific review to see where Michigan stands in comparison to other states is appropriate. This study benchmarks Michigan's state and local revenues and expenditures against the other states, as well as the District of Columbia, based on newly released data from the U.S. Census Bureau for 2008. Some results from 2002 are included to illustrate trends.

Until the early 1970s, Michigan was considered one of the wealthiest states, with per capita income ranked in the top 10 of the nation. Unfortunately, Michigan has close to completely reversed its prosperity status, with an unwanted distinction of falling to the bottom 10 states in per capita income, and there is no indication that the fall is complete. As a result, the revenue streams derived from economic activity do not support government programs at the levels that existed in the past.

GOVERNMENT REVENUES DECLINE FROM POOR STATE ECONOMY

Census data on state and local revenue and expenditures reveals the impact of Michigan's income drop on state and local government operations. Two major taxes used to fund government activities in Michigan, tied to how much its citizens earn, are Michigan sales and income taxes. These crucial revenue sources have fallen in relation to the revenues derived from these sources in other states to the point where Michigan is now in the bottom quartile of states in receiving revenue from these sources.

Arguments have been advanced that changes in taxation rates, broadening tax bases or other structural reforms in these taxes could create additional revenue. Nonetheless, if personal income in Michigan does not increase, these revenue sources will continue to lag the national norm unless tax rates are raised or the scope of items taxed are broadened to increase the average per capita tax burden to levels above the national average. In reaching this conclusion, this paper does not purport to take a policy position on appropriate taxation levels. The quality of services and infrastructure investment desired by taxpayers is more important in driving taxation policy than trying to reach consistency with national averages.

Nonetheless, the reality cannot be avoided that it is tantamount to economic alchemy to apply average tax rates on taxpayers with the nation's ninth poorest income and expect anything other than a state with the ninth lowest tax revenues. However, the infrastructure investments and quality government services essential for business attraction and quality worker retention will likely necessitate tax rates exceeding the national average.

Tax revenue from business income is higher in Michigan than in most states, but Michigan business tax revenues are also in relative decline. In 2008, Michigan ranked 15th in the nation in the amount of

money generated by corporate income taxes, compared to being ranked 6th in the nation in 2002. While Michigan's per capita business income tax revenue fell almost 15 percent during the time period noted, the national per capita amount increased 90 percent. In six years, Michigan went from receiving twice the nation's norm in business income tax revenues to 6 percent below the nation's norm in 2008. This was not likely a result of massive policy changes in how to tax businesses across the nation, but results from business taxes in most states being based on profits, which is much more volatile as a revenue source because corporate profits decline at steeper rates during economic downturns than does corporate income. As the Michigan Business Tax (MBT) is based on corporate income rather than profits, the comparison of Michigan's business tax revenues compared to other states in 2009 numbers will likely see our relative position float back up, even though overall revenues will decline.

From 2002 to 2008, property taxes were a relatively stable major revenue source for funding the Michigan School Aid Fund and local government services. Until recently, the Proposal A constitutional provision designed to protect individual property owners from large yearly increases in taxes caused by escalating property values mitigated the revenue declines resulting from plummeting property values. During the mid-part of the decade, assessed values for many properties were going down on properties that were not generating taxes on the full value of the property due to the Proposal A cap on assessed values.

However, in many parts of the state, the Proposal A revenue buffering effect has now disappeared. In 2010, property tax collections will fall approximately 6 percent compared to the prior-year collections. In some areas of the state, the decline is over 20 percent. The greater metropolitan Detroit area will see the largest impact of declining property tax revenues. Because of ongoing foreclosures and the large surplus in both commercial buildings and residential housing, it is likely that property values will continue to decline for at least a few more years. This will significantly affect local governments where property taxes are the primary revenue source.

Michigan governmental entities now receive less money per capita from their own sources than most other states. Michigan also receives less money from the federal government than most states. Unless Michigan's economy returns to past levels or overall taxation rates increase, Michigan government will reduce and/or reform its delivery of services to match ongoing lower revenue levels.

EXPENDITURE DECLINES FOLLOW REVENUE DECLINES

The impact of Michigan's economy can be found in every category for expenditures detailed in the Census Bureau's report. The lone shining star may be library services, which remain in the top 10 of the nation. This may be due to the recent rapid expansion of the district library system with a dedicated property tax revenue source. When a politically autonomous service authority is created with its own dedicated funding source, such as a district library or fire authority, revenues for that service often increase compared to appropriations derived from budgets administered by general purpose units of governments. Voters can be very supportive of funding for a specific service if they are certain money won't be shifted into other general governmental operations. Also, independent authorities are not directly competing for funding with other governmental functions through an appropriation process,

which due to overall revenue limitations, often suppresses funding for any given program. On the other hand, now that property taxes are declining, many of these single-purpose cooperative operations will either need to cut their budgets or seek additional millage support from the voters in the near future.

It would not be surprising, given the state's economic climate, if Michigan expenditures for unemployment compensation and health care for those in need exceeded the national average. However, these expenditure areas where Michigan has traditionally led the nation in governmental support have also seen significant declines in their national rankings. Another example of historically high levels of spending now in decline is education. Just six years ago, Michigan ranked in the top 10 states in the higher education, K-12 education and overall education spending categories. In 2008, Michigan's expenditures for each of these categories have fallen into the middle of the pack in the nation.

A few areas of expenditures really stand out as being decimated by the decline in revenues over the past number of years. Michigan has fallen to 48th in the national rankings on overall capital outlay expenditures. One of the easiest decisions for public officials to make during times of economic distress is to defer construction projects. Michigan has embraced this strategy at all levels of government, particularly for highway capital outlays. In 2002, Michigan ranked 50th in the nation in highway capital outlay and the state has retained that position in 2008. If Michigan were to double its spending on road construction, it would still only match the national norm. While deferring infrastructure spending is easy compared to other service cuts, it cannot be sustained without significant adverse consequences. Even if revenues do not rebound, Michigan must start investing in itself once again. By failing to make these types of investments, minor problems quickly deteriorate into major reconstruction projects, and projects that could have been fixed with thousands of dollars turn into projects that require millions of dollars. From an economic development standpoint, how can state and local government leaders ask businesses to come and build in our state if those same government leaders are unwilling to invest in the infrastructure of the state? The cost of doing business in Michigan will also rise as poor roads, failing sewage, water and drainage systems, and poorly maintained tourism amenities increase the private cost and liability of both businesses and residents.

From the local government perspective, funding for Michigan's police and fire services has been relatively stable, especially in relationship to other spending categories. However, even funding for these essential services has fallen in national rankings over six years. Police protection expenditures dropped from 23rd to 28th nationally, dropping from 12 percent below the national norm in 2002 to 18 percent below in 2008. Fire protection spending dropped from 34th to 37th. The relative stability in public safety spending can likely be attributed to the stability of property tax collections during that time period, which is their primary funding source. As noted earlier, however, 2008 was likely the last year where property taxes were able to sustain financial support for these services anywhere near historical levels. Cuts to these services will likely accelerate with the decline in property tax assessed values and the associated property taxes that are collected.

Shifting local government services to county governments has been suggested by some reformers as a strategy to reduce the cost of local government. Property tax assessing and collection, election

administration, and planning and zoning have been targeted in particular by critics who assume that Michigan overspends in these areas. All of these functions are contained in two expenditure categories within the census information: financial administration, where Michigan ranks 44th in the nation in expenditures (30 percent below the national average), and other governmental administration, where Michigan ranks 43rd (again 30 percent below the national norm).

Michigan has traditionally spent much less than the vast majority of states on local government administration and these very low expenditure rates are not a result of Michigan's latest economic troubles. The lower costs for these types of services are more related to our governmental structure than our economic problems. States that make use of the township delivery model for services do very well in these expenditure categories compared to the states that deliver these services through counties. Within the Great Lakes states that all feature townships as general purpose units of governments, only four of the 14 rankings in these two categories fall in the top half of the state rankings in expenditures. In Michigan and in other states with townships, these services are predominantly performed by officials on a part-time basis who receive very nominal salaries and often no benefits, while counties are likely to use full-time employees with corresponding wages and benefits.

STATE AND LOCAL EMPLOYEE COMPENSATION HISTORICALLY HIGH, BUT FALLING

One of the most startling statistics is total salary and wages paid to all state and local employees, which includes all educational employees. In 2008, Michigan ranked 42nd in the nation in the amount paid in salaries and wages to public employees on a per capita basis. This ranking has fallen from 24th just six years prior. This does not mean that individual salaries have fallen precipitously; it is more a reflection of how few state and local employees there are in this state as compared to others. Michigan ranks 49th nationally in state and local employees per capita. In spite of higher governmental salaries, Michigan taxpayers pay significantly less than the national norm for the services provided by public employees.

Specific Observations by Subject

GOVERNMENT REVENUES

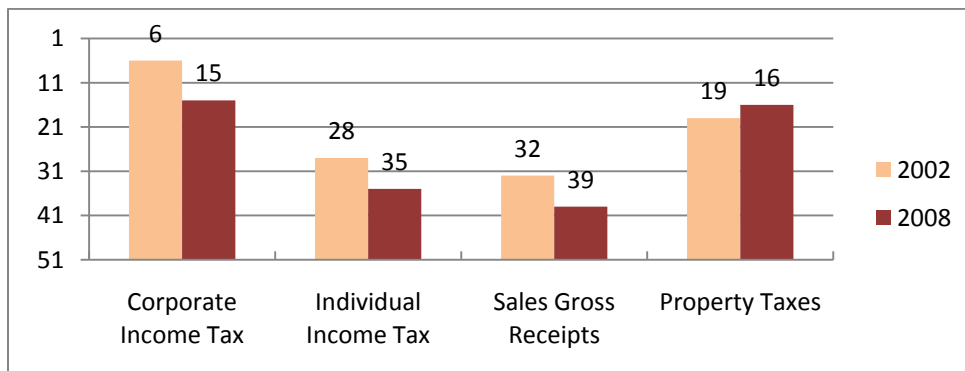
In 2008, Michigan ranked 32nd in the nation in general revenue for state and local government operations, 8 percent below the national average. Michigan was 33rd in the nation in funding from the federal government for state and local services, 6 percent below the national average. *Michigan would need to receive an additional \$900 million from the federal government (with no change to funding to other states) in order to reach the national average.* Michigan is 31st in revenue from its own sources, 9 percent below national average.

Taxes

Revenue sources that stand out as generating more than the national average on a per capita basis are property taxes, corporate income taxes, motor vehicle licenses and tobacco taxes. Michigan is 6th in the nation in revenue per capita from tobacco taxes, 14th in fees for vehicle registrations, 15th in corporate income taxes and 16th in property taxes. Even though Michigan is above the median in its ranking of corporate income taxes in 2008, the state was 6 percent below the per capita national average in the amount of revenue generated. Michigan property owners paid 5 percent over the national average in property taxes.

Michigan is 39th in the nation in sales and gross receipts taxes, 17 percent below national average, and 35th in revenue from its individual income taxes, 24 percent below the national average. Eight states receive little or no revenue from individual income taxes. Michigan ranks 46th in motor fuel revenues, 20 percent below the national average; and 27th in alcoholic beverage taxes, 24 percent below the national average.

Michigan's overall poor economic performance has had significant impacts on state and local revenue between 2002 and 2008, especially from taxes related to income and production. Michigan's corporate income taxes dropped from 6th in the nation to 15th in the six-year period, individual income taxes fell in ranking from 28th to 35th, and sales and gross receipts dropped from 32nd to 39th. Property tax revenue per capita actually climbed from 19th to 16th over the six-year period. *Overall, Michigan's general revenue from our own sources dropped in the national rankings from 20th in the nation in 2002 to 31st in 2008.*

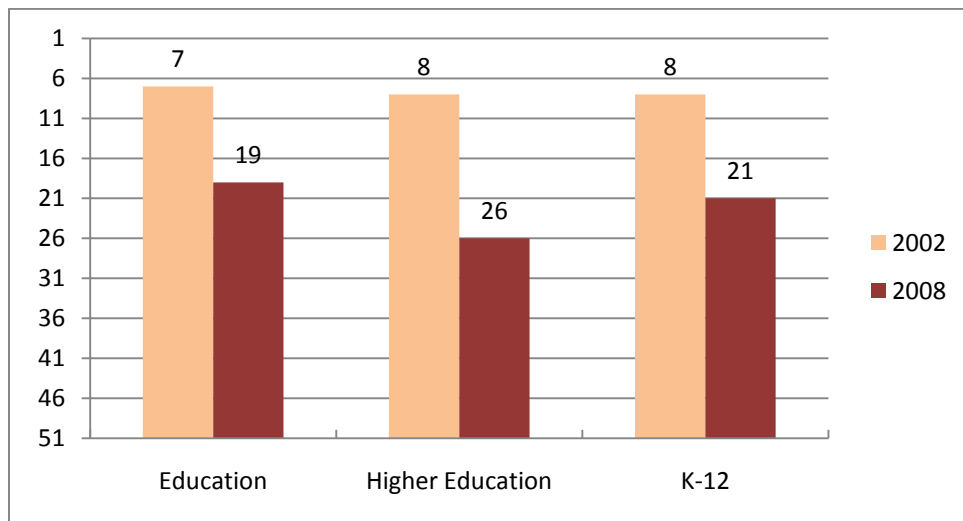


General Government Expenditures

Michigan's government expenditure rankings follow its declining revenue. Michigan ranked 25th in the nation in state and local expenditures for 2008; this was down six places in six years. Michigan is now spending 6 percent less than the national average on operations. For capital outlays, the picture is grimmer. *In 2008, Michigan was 48th in the nation in capital outlay spending, a full 42 percent below national averages.* In 2002, Michigan was 33rd in the nation, less than 15 percent below the national average. The lack of investment in capital outlays poses significant concerns that operating costs will increase in the future as government-owned buildings, utilities and equipment continue to depreciate, which will increase maintenance costs, compromise service reliability, and put Michigan residents' health and safety at risk.

Education

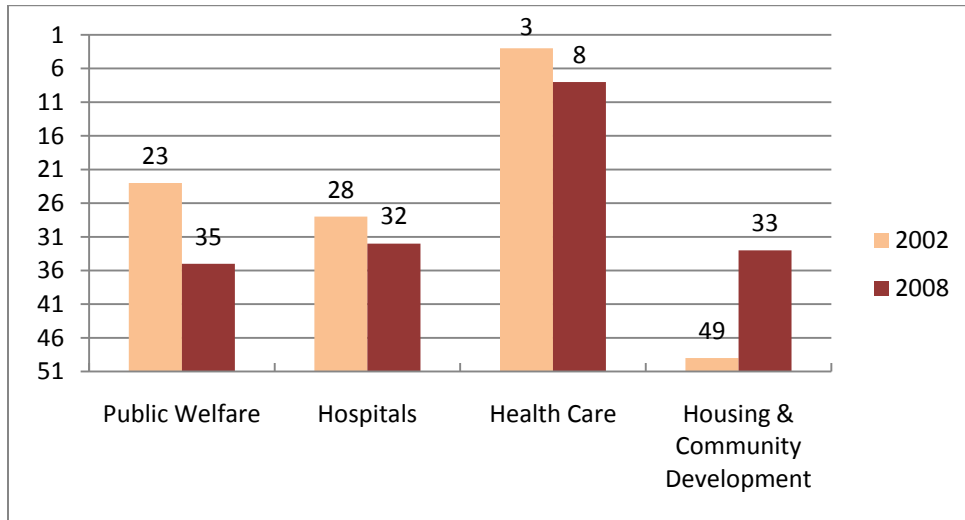
Michigan's recent fiscal problems may be most dramatically manifested in the educational expenditure categories. Michigan's overall per capita spending for education is currently 19th in the nation, still 21 percent above the national average. However, in just six years, that national ranking has dropped precipitously from 7th. Expenditures for higher education have resulted in Michigan dropping from 8th in the nation in 2002 to 26th in 2008. *The fall in K-12 funding has been nearly as dramatic. In 2002, Michigan was 8th in the nation in funding, spending over 10 percent more than the national average; in 2008, Michigan had fallen to 21st in the nation, 3 percent below the national average.*



Social Services

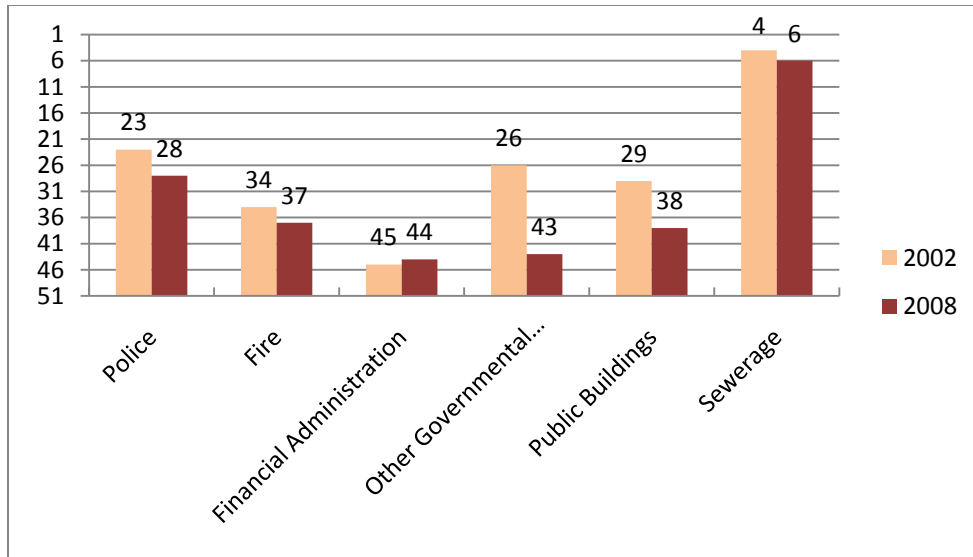
Given the state of Michigan's economy, it would not be surprising to see Michigan jumping to the top of the national rankings in many social service spending categories. However, these services have been impacted in the same manner as all other services. *Michigan ranks 35th in the nation in the cost of public welfare on a per capita basis.* This is down from 23rd in 2002. It would not be accurate to suggest that the need has declined during this time period. Funding for hospitals has dropped from 28th in the nation in 2002 to 32nd. Our cost of providing health care for those in need remains at the top of the

national list in 8th place, however, even this dropped from 3rd place just six years ago. Only in housing and community development spending did Michigan see a big jump from 49th nationally in 2002 to 33rd in 2008.



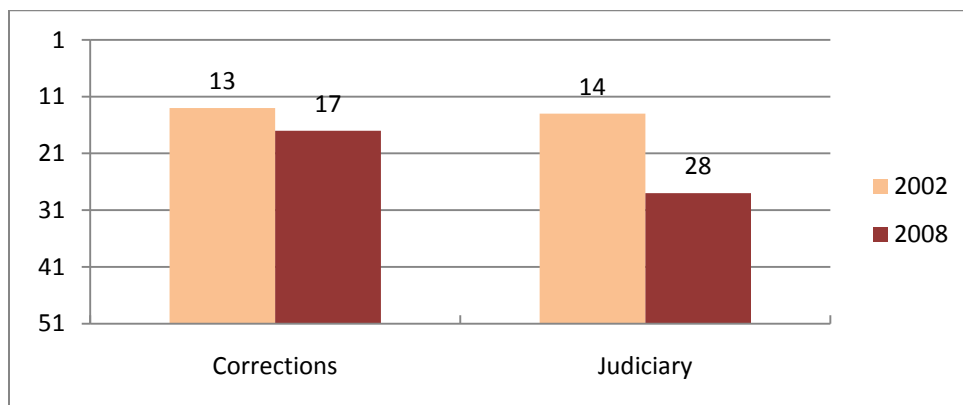
Local Government Operations

Certain census categories are more closely aligned with local government operations than state operations. Police and fire services are obvious choices. *Michigan currently ranks 28th nationally in expenditures on police protection and 37th on fire protection.* Even these services have seen their relative positions slide in the last six years from 23rd and 34th, respectively. The financial administration category, which includes local assessing and tax collection costs, has remained fairly steady in 44th place in 2008 compared to 45th in 2002. Michigan is still spending 30 percent less than the national average for these services. Other governmental administration, which includes cost of local legislative boards and planning and zoning, was ranked 43th in 2008, also 30 percent below national average. This compares to a 2002 ranking of 26th. The cost of general use public buildings was ranked 38th in 2008 compared to 29th in 2002. This category does not include school buildings. Sewerage does show high expenditures in Michigan compared to the rest of the nation, with Michigan 6th nationally in 2008 as compared to 4th in 2002. Libraries, which some might find surprising, place at 8th in the nation, some 29 percent above national average.



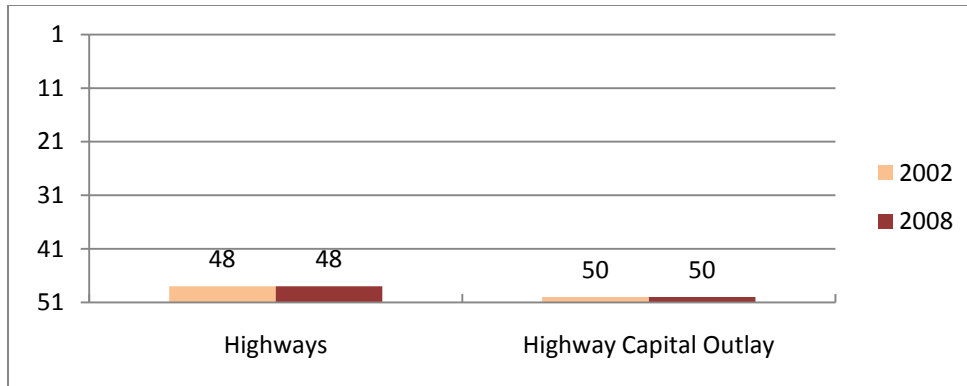
Corrections

Michigan is still struggling with the cost of corrections. *In 2008, Michigan ranked 17th in the nation in the per capita cost of the state and local corrections system, 3 percent over the national average.* This is down from the 13th ranking in 2002. Michigan's judicial costs have slipped from 14th in the nation in 2002 to 28th in 2008.



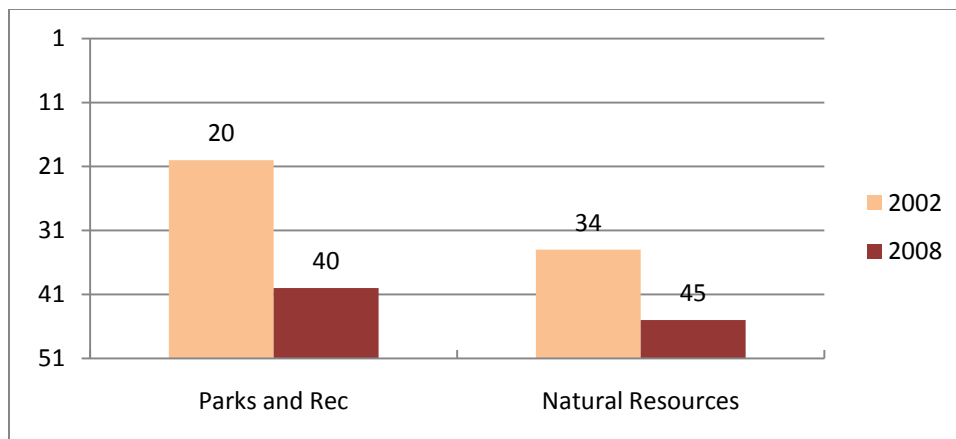
Transportation

Unlike most of the other categories described above, transportation expenditures remained relatively unchanged during the 2002 to 2008 time period. In fact, in both time periods, Michigan ranked 48th in the nation in spending on highways, approximately 25 percent below the national average and 50th in highway capital outlay, a startling 50 percent below national average in both years. *While it was noted earlier that Michigan's overall spending on capital outlay issues had slid to the bottom of the nation over the past six years, in the case of highway expenditures, Michigan started at the bottom and has remained in that position.*



Recreation

The “Pure Michigan” advertising campaign has been geared to bring tourists to Michigan to enjoy recreational and cultural amenities. Michigan’s roads, the gateway for most tourist activity, are not maintained in Michigan to the same level as do other states. However, there are two other categories that also deserve note. Spending on parks and recreation has gone from 20th nationally in 2002 to 40th in 2008, 39 percent below the national average. Spending on natural resources has dropped from 34th to 45th, a whopping 56 percent below the national average. If Michigan wants to continue to make tourism a key part of our economy, it must invest in the infrastructure and services that are essential to making a visit to Michigan an experience worth repeating.



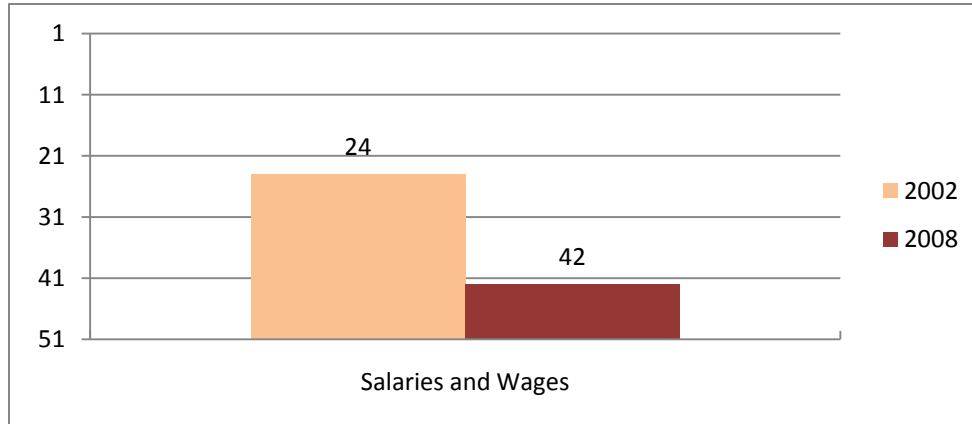
Trust Funds

2008 was not a good year for Michigan’s trust funds. Michigan ranked 51st in the nation on its unemployment compensation cash and security holdings—an obvious result of our high unemployment rate. Michigan was also 51st in the nation on our revenue for employee retirement. *In 2008, Michigan state and local pension funds lost more money per capita than any other state in the nation.*

Salary and Wages

In 2002, Michigan expenditures for state and local employee compensation, not including fringe benefits, ranked 24th in the nation on a per capita basis, approximately 5 percent below the national

average. In 2008, Michigan had dropped to 42nd in the nation, 17 percent below the national average. Fringe benefit data was not reported by the U.S. Census Bureau.



DETAILED CATEGORY RANKINGS

Michigan in the Top Quartile for these Revenues:

Category	National Rank	Amount per Capita	Percent of National Average	Notes
Tobacco Products	6	\$108	200 percent	
Education	9	\$516	142 percent	Includes Tuition, room and board, school lunch sales
Institutions of Higher Education	7	\$459	148 percent	2002 rank: 6 Tuition, room and board
Sewerage	9	\$154	123 percent	2002 rank: 13
Liquor Store Revenue	8	\$77	320 percent	Gross revenue from warehouse distribution
Unemployment Compensation	12	\$162	143 percent	

Michigan in the Top Quartile for these Expenditures:

Category	National Rank	Amount per Capita	Percent of National Average	Notes
Libraries	8	\$49	129 percent	
Health	8	\$364	139 percent	2002 rank: 3 Outpatient services: other than hospitals
Sewerage	6	\$209	136 percent	2002 rank: 4
Sewerage/Capital Outlay	11	\$84	135 percent	
Liquor Store Expenditures	7	\$62	327 percent	Cost of liquor purchased by state warehouse
Unemployment Compensation	5	\$192	164 percent	

Debt Outstanding

Category	National Rank	Amount per Capita	Percent of National Average	Notes
Long-Term Debt Retired	9	\$743	92 percent	Includes refunding and exchanges

Cash and Security Holdings

Category	National Rank	Amount per Capita	Percent of National Average	Notes
None				

Michigan above the Median in these Revenues

Category	National Rank	Amount per Capita	Percent of National Average	Notes
Property Taxes	16	\$1,412	105 percent	2002 rank: 19
Corporate Income	15	\$178	94 percent	2002 rank: 6
Motor Vehicle License Charges and Misc.	14	\$89	128 percent	
Current Charges	22	\$2,059	102 percent	Revenue other than taxes or intergovernmental transfers
Air Transportation	18	\$1,306	106 percent	Received for services benefiting person charged
Parking Facilities	23	\$42	73 percent	
Other Charges	18	\$7	120 percent	
Misc. General Revenue	15	\$214	112 percent	
Special Assessment	24	\$572	95 percent	
Other General Revenue	17	\$24	94 percent	
Water Supply	16	\$455	103 percent	Revenue not matching any other category
	24	\$131	88 percent	

Michigan above the Median in these Expenditures

Category	National Rank	Amount per Capita	Percent of National Average	Notes
Current Operations	25	\$6,498	94 percent	2002 rank: 19
Assistance and Subsidies	24	\$118	85 percent	

Insurance Benefits and Repayments	16	\$785	102 percent	2002 rank: 19 Pension payments
Education	19	\$3,273	121 percent	2002 rank: 7
Education / Capital Outlay	24	\$326	102 percent	
Higher Education / Capital Outlay	15	\$105	118 percent	
Elementary and Secondary Education	21	\$1,798	97 percent	2002 rank: 8
Other Public Welfare	22	\$256	95 percent	Services provided by one governmental unit but paid for by another
Social Insurance Admin.	16	\$19	147 percent	
Air Transportation	22	\$64	91 percent	
Parking Facilities	14	\$7	131 percent	
Corrections	17	\$246	103 percent	2002 rank: 13
Solid Waste Management	14	\$9	112 percent	
Misc. Commercial Activities	19	\$7	35 percent	
Insurance Trust	16	\$765	102 percent	Retirement, unemployment, workers' compensation
Water Supply	17	\$169	93 percent	
Employee Retirement	19	\$590	133 percent	2002 rank: 18

Debt Outstanding

Category	National Rank	Amount per Capita	Percent of National Average	Notes
Short Term	15	\$112	76 percent	
Long Term	24	\$7,411	74 percent	
Long-Term Debt Issued	23	\$1,104	90 percent	Includes refunding issues

Cash and Security Holdings

Category	National Rank	Amount per Capita	Percent of National Average	Notes
Employee Retirement	24	\$8,545	84 percent	2002 rank: 21
Other Holdings	20	\$3,513	93 percent	Not part of any other reporting category

Michigan below the Median in these Revenues

Category	National Rank	Amount per Capita	Percent of National Average	Notes
General Revenue	32	\$7,310	92 percent	
Federal Revenue	33	\$1,487	94 percent	
General Revenue Own Sources	31	\$5,823	91 percent	2002 rank: 20
Taxes	31	\$3,764	86 percent	
General Sales Tax	32	\$822	82 percent	
Select Sales Taxes	34	\$398	84 percent	Combination of Motor Fuel, Alcohol, Tobacco, Public Utilities and Other Select Sales Taxes
Alcoholic Beverages	27	\$15	76 percent	
Other Select Sales Taxes	26	\$167	91 percent	
Individual Income Taxes	35	\$764	76 percent	2002 rank: 28 8 states have either no revenue or minimal revenue from this source.
School Lunch Sales (gross)	27	\$22	97 percent	
Hospitals	28	\$295	92 percent	
Highways	28	\$13	34 percent	
Sea Ports	36	\$0.10	1 percent	
Natural Resources	32	\$5	36 percent	
Parks and Recreation	37	\$21	65 percent	
Solid Waste Management	36	\$33	66 percent	
Interest Earnings	35	\$262	85 percent	
Sale of Property	26	\$10	66 percent	
Utility Revenue	37	\$233	51 percent	
Electric Power	34	\$95	40 percent	
Transit	27	\$3	5 percent	
Workers Compensation	33	\$3	5 percent	

Michigan below the Median for these Expenditures

Category	National Rank	Amount per Capita	Percent of National Average	Notes
Interest on Debt	26	\$300	89 percent	
Direct Expenditures	31	\$8,394	90 percent	
Direct General Expenditures	33	\$7,227	92 percent	
Other Direct General Expenditures	27	\$6,613	96 percent	Direct Expenditures less Capital Outlay
Higher Education	26	\$828	113 percent	2002 rank: 8
Public Welfare	35	\$1,165	88 percent	2002 rank:23

Public Welfare/Cash Assistance Payments	30	\$43	63 percent	
Public Welfare/Vender Payments	34	\$866	87 percent	
Hospitals	32	\$326	77 percent	2002 rank: 28
Hospitals/Capital Outlay	35	\$7	25 percent	
Port Facilities	37	\$0.10	1 percent	
Police Protection	28	\$242	82 percent	2002 rank: 23
Fire Protection	37	\$95	73 percent	2002 rank: 34
Protective Inspections and Regulation	31	\$32	64 percent	2002 rank: 25
Housing and Community Development	33	\$101	60 percent	2002 rank: 49
Solid Waste Management	33	\$60	77 percent	2002 rank: 31
Judicial and Legal	28	\$109	80 percent	2002 rank: 14
Interest on General Debt	26	\$305	93 percent	2002 rank: 28
Other and Unallocated	30	\$303	76 percent	
Utility Expenditures/Capital Outlay	37	\$51	38 percent	
Electric Power	34	\$93	37 percent	
Transit	28	\$60	36 percent	
Workers Compensation	32	\$2	6 percent	

Debt Outstanding

Category	National Rank	Amount per Capita	Percent of National Average	Notes
Public Debt for Private Purposes	35	\$1,597	90 percent	

Cash and Security Holdings

Category	National Rank	Amount per Capita	Percent of National Average	Notes
Insurance Trust Funds	26	\$8549	80 percent	Pension, Unemployment and Workers Compensation
Workers Compensation	33	\$3	1 percent	
Other than Trust Funds	33	\$5,886	84 percent	
Offsets to Debt	35	\$1,975	81 percent	
Bond Funds	37	\$3,513	93 percent	

Michigan in the BOTTOM QUARTILE in these Revenues:

Category	National Rank	Amount per Capita	Percent of National Average	Notes
Sales and Gross Receipts	39	\$1,220	83 percent	2002 rank: 32
Motor Fuel	46	\$99	80 percent	
Public Utilities	50	\$8	9 percent	
Other Taxes	48	\$101	35 percent	
Housing and Community Development	48	\$6	34 percent	
Insurance Trust Fund Revenue	51	(\$761)	(262 percent)	
Employee Retirement	51	(\$926)	(1,077 percent)	

Michigan in the Bottom Quartile in these Expenditures:

Category	National Rank	Amount per Capita	Percent of National Average	Notes
Overall Capital Outlay	48	\$665	58 percent	2002 rank: 33
Construction	49	\$516	59 percent	
Other Capital Outlay	46	\$149	56 percent	
Salaries and Wages	42	\$2,179	83 percent	2002 rank: 24
Direct General Expenditure/Capital Outlay	48	\$613	61 percent	
Elementary & Secondary Education/Capital Outlay	42	\$87	57 percent	
Other Education/Capital Outlay	42	\$87	72 percent	
Highways	48	\$371	74 percent	2002 rank: 48
Highways/Capital Outlay	50	\$145	50 percent	2002 rank: 50
Corrections/Capital Outlay	50	\$1	8 percent	
Natural Resources	45	\$43	44 percent	2002 rank: 34
Natural Resources/Capital Outlay	38	\$6	25 percent	
Parks and Recreation	40	\$82	61 percent	2002 rank: 20
Parks and Recreation/Capital Outlay	43	\$12	33 percent	
Financial Administration	44	\$94	70 percent	2002 rank: 45
General Public Buildings	38	\$38	75 percent	2002 rank: 29
Other Governmental Administration	43	\$68	51 percent	2002 rank: 26 Legislative and government-wide administrative including zoning, central personnel and administrative activities. Does not include schools.
Utility Expenditure	38	\$321	51 percent	2002 rank 36

Debt Outstanding

Category	National Rank	Amount per Capita	Percent of National Average	Notes
None				

Cash and Security Holdings

Category	National Rank	Amount per Capita	Percent of National Average	Notes
Unemployment Compensation	51	\$2	1 percent	

Methodology

All revenue and expenditure data comes from the State and Local Revenue and Expenditure report for 2008, which was released in July 2010, as compiled by the U.S. Census Bureau. The source data can be found at www.census.gov/govs/estimate/. For benchmarking purposes, the total amounts in each category were divided by the 2008 U.S. Census estimated population for each state. In each category, the per capita amount for Michigan is compared to the per capita amount for other states. Rankings range from 1 to 51, with 1 being the highest revenue or expenditure and 51 being the lowest. For comparative purposes, the same calculations were made in select categories using the 2002 census data.

This report groups revenues and expenditures into four categories, Top Quartile, Above Median, Below Median and Bottom Quartile. Top Quartile includes any category with a national ranking between 1 and 12, Above Median is any category with a rank between 13 and 25, Below Median any category between 26 and 37, Bottom Quartile any category between 38 and 51.

Each category includes the census title; some will also include further elaboration on what the category includes the amount per capita, the national ranking and a calculation of Michigan's per capita amount compared to the national average. Further definitions for each category can be found on www.census.gov. The national average is calculated based on total revenues or expenditures at the state and local levels for a particular category divided by the total national population. Certain national comparisons can become a bit complex if certain states do not make use of that particular category.