

Michigan Chamber of Commerce Gives State Board of Education An 'F' on Leadership Test

The Michigan Chamber of Commerce today announced that it has given the State Board of Education and the State Superintendent of Public Instruction an "F" for failing to pass an important test of leadership at their most recent meeting on August 23, 2001. At that meeting a majority of the State Board, on a party line vote of 5 to 3, supported State Superintendent Tom Watkins' call for a "one-year pause" in the plan to gradually reduce the State Income Tax from 4.4 percent in 1999 to 3.9 percent in 2004. Michigan is now in the second year of this five-year plan.

(Photo: <http://www.newscom.com/cgi-bin/prnh/20000320/DEM039>)

"If members of the State Board of Education are really serious about improving K-12 education they should stay focused on their constitutional duty to provide leadership and general supervision over all public education, instead of making uninformed political statements on tax law," said Jim Barrett, President & CEO of the Michigan Chamber.

"It's bad enough that Superintendent Watkins and a compliant majority on the State Board have delayed action on the long overdue state accreditation system for public schools," said Rich Studley, Senior Vice President of Government Relations for the Michigan Chamber. "Worse yet, the Democratic majority of the State Board has now taken an anti-taxpayer and anti-business position by calling for an unnecessary halt to Income Tax rate reductions for students with part-time jobs, their parents and other taxpayers."

"The State Board and State Superintendent get a 'F' on this test of educational leadership because they failed to do their homework," added Studley. "The current tax law (Public Acts 1 and 6 of 1999) requires that as the tax rate falls, the percentage of Income Tax revenue earmarked for K-12 education steadily increases. In brief (as the following chart from the Senate Fiscal Agency shows), the financial impact of Income Tax rate reductions on the School Aid Fund is zero."

"State income tax rates are one of the indicators individuals and businesses use when making location decisions. A State Board of Education that provides ineffective leadership on major education issues, while attacking parents and job providers on taxes shouldn't be surprised when people question their priorities and actions," Barrett concluded.

The Michigan Chamber of Commerce is a statewide business organization representing approximately 7,000 employers, trade associations and local chambers of commerce. The Michigan Chamber of Commerce was established in 1959 to be an advocate for Michigan's job providers in the legislative, political and legal process.

Estimated Fiscal Impact of Senate Bills 1, 2, & 5 and
House Bills 4033-4035
FY 1999-2000 to FY 2004-05
(dollars in millions)

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Income Tax Rate Reduction:						
Current Tax Rate	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
Income Tax Rate Reduction: *						
Incremental Reduction	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	0.0%
Cumulative Reduction	-0.1%	-0.2%	-0.3%	-0.4%	-0.5%	-0.5%
New Income Tax Rate	4.3%	4.2%	4.1%	4.0%	3.9%	3.9%

Estimated Reduction						
in Revenue:	(\$124.4)	(\$306.6)	(\$506.2)	(\$726.4)	(\$966.6)	(\$1,070.8)
% Reduction in						
Income Tax Revenue	-1.9%	-4.4%	-6.9%	-9.4%	-12.0%	-12.7%
Cumulative Tax Reduction	(\$124.4)	(\$431.1)	(\$937.3)	(\$1,663.6)	(\$2,630.2)	(\$3,701.1)

Estimated Impact by Fund:						
General Fund/						
General Purpose	(\$124.4)	(\$306.6)	(\$506.2)	(\$726.4)	(\$966.6)	(\$1,070.8)
School Aid Fund	0.0	0.0	0.0	0.0	0.0	0.0

* Income tax rate reductions will be effective January 1 each year from 2000 to 2004.

Fiscal Analyst: J. Wortley

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

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