

Legislature takes up Blanchard's tax plan

By Tim Richard
staff writer

Even before Gov. James Blanchard asked for a two-part increase of 1.75 percent in the state personal income tax rate, the issues were jelling in the committee rooms of the Michigan Legislature.

In a grim, 22-minute speech laced with such terms as "bankruptcy," "ever-deepening deficit" and "the threat of insolvency," Blanchard asked for a 1.5-percent increase for current operations and another 0.25-percent "debt surcharge" to pay off the state's \$800 million in bills accrued over the last seven years.

Blanchard also offered a program of \$225 million in spending cuts, promising today to release "a list of 30 programs, boards and commissions which we will abolish."

But he rejected the suggestion to cut the welfare subsistence level of \$1.81 a day, calling it "unwise to think of re-

ducing state-financed help" at the same time the state is encouraging private contributions of food, clothing and aid to the unemployed.

THE ISSUES:

• Will \$225 million in cuts be enough? No, said Republican members of the two appropriations committees. They plan to prepare a "hit list" of \$800 million in cuts — a list that would be long enough not to require an increase in the current tax rate of 4.6 percent.

• Are his revenue projections accurate? Blanchard estimated 1.5 percent will bring in \$675 million, which, with his \$225 million in cuts, will correct a projected \$800-million budget imbalance. He figured a 1-percent tax increase to raise \$450 million. Sen. Harry DeMasso, R-Battle Creek, the minority's acknowledged taxation expert, said 1 percent would bring in \$500 million. Negotiations are expected.

• Which 30 programs, boards and

commissions does he want to eliminate? "Long overdue," said Sen. R. Robert Geake, R-Northville, noting that many of the governor's proposals would require legislative action. Then Geake, a member of the Appropriations Committee, reflected a moment and added, "But not race-track aid to Northville and Livonia."

• How many votes will the Democratic leadership in the Legislature be able to deliver? Democrats hold a bare 20-18 majority in the Senate, for example — and that's assuming perfect attendance.

• How long does Blanchard want the 1.5-percent increase to remain in effect? His state-of-the-state speech mentioned no time limit. Last March, then-Gov. William Milliken asked for a 1-percent increase and had to settle for a six months hike. Many legislators will insist on a time limit so that the state doesn't realize a "windfall" when the economy recovers.

But about one point there appeared

to be no controversy — at least not yet: the 0.25-percent surcharge Blanchard asked for the budget stabilization fund to pay off accrued liabilities. "As soon as that debt has been entirely erased and Michigan's financial integrity restored, this surcharge will expire," Blanchard promised.

"IF TODAY'S unemployment were equal either to Michigan's rate in 1978 or to the average national rate today," the former Oakland County congressman said, "we would have a balanced budget or a manageable deficit."

"But today, in spite of systematic cuts and reduced benefits to people in public assistance programs, the sheer volume of those on relief is driving our state budget into an ever-deepening deficit."

Unlike the book-length state-of-the-state messages introduced by Milliken, Blanchard's message dealt only with

economics: the deficit and programs to create jobs.

"I have already commissioned a border-to-border survey of local governments and communities to identify immediate public works and construction needs that can provide work for our people," he said.

"At the same time, I have instructed the Department of Transportation to bring to my office a list of immediately buildable projects whose construction can serve not only as a short-term source of jobs but also as a long-term improvement to our transportation system."



Gov. James Blanchard
'grim reality'

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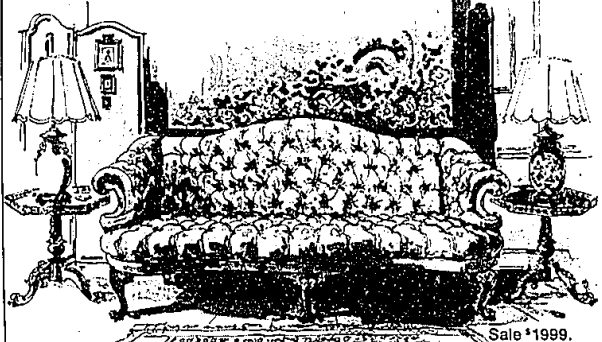
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