

State's cupboard is bare — but how to restock it?

By Carol Axelsen
staff writer

State government is a victim of its own financial "chicanery" and bad accounting practices, not the recession. That consensus was reached by State Budget Director Phillip Jourdan, Oakland County Executive Daniel T. Murphy and Wayne State University President David Adamany in talks before the Greater Detroit Chamber of Commerce.

They agreed on causes of the crisis, but disagreed on solutions for wiping out a projected \$900 million deficit.

Democrat Jourdan defended Gov. James Blanchard's proposals to boost the state personal income tax 38 percent and reduce spending by \$225 million.

Republican Murphy called the proposals further examples of "fiscal gerrymandering and chicanery."

Although Adamany, who once worked for a Democratic governor in Wisconsin, opposes the cuts, he sees no alternative. He supports a permanent tax increase as a "long-term strategy for economic revitalization."

Jourdan criticized former state fiscal planners for "wearing rose-colored glasses and resorting to accounting gimmicks to solve some of our problems."

"They've approved revenues that come to the state and gone on a cash basis with regard to expenditures."

"It's as if you had a heavy checkbook, and anytime anybody owed you money, you just entered into the register that you had \$100. When you owed somebody else money, you didn't write him a check until he presented you with a bill."

"After a period of time, those checks would begin to bounce like rubber balls," said Jourdan, a lawyer who



Adamany Jourdan Murphy

served as a congressional staff chief to Rep. William Brodhead of the 17th District until last year.

THE MOST reasonable solutions to the problem, Jourdan said, have been proposed by Blanchard.

"The governor's cuts were smaller than those recommended by his Finan-

cial Crisis Council, mainly because of a constitutional requirement (the Headlee amendment calls for 41 percent of state spending to be at the local level) and partly because deeper cuts would do severe and permanent damage."

Jourdan called the income tax hike justified because "we looked at all the different kinds of taxes and determined that increasing the income tax would be the most profitable and do the least harm."

MURPHY agreed with Jourdan that the state is not just an "innocent victim" of the recession. "The state is more a victim of its own chicanery than the recession," he said.

But the third-term Oakland County executive called the new governor's proposals just one more example of that "financial chicanery."

"Bad government should suffer bad

consequences and should not be rewarded with tax increases," Murphy said.

"If the tax is increased by 38 percent, our citizens will have less money to pay property taxes. The pressure on county governments to provide relief through still lower property taxes and property assessments will grow."

Murphy said the county already has cut its property tax rate three times in the last four years and is battling with the State Tax Commission to lower assessments.

THE COUNTY executive criticized state officials for deferring aid payments to local governments. Oakland County lost \$1.6 million in state aid last year and could lose another \$1.8 million this year, he said.

"This year, we didn't give our employees a pay raise, even though pay scales have continued to fall 33 percent

behind inflation. We're in a position to give that increase, but we're avoiding crisis in the years ahead by managing better today."

ADAMANY disagreed with Murphy, saying he "wasn't willing to get into a fight with state officials over what they need to do to save the government."

The new president of Michigan's third largest state university called a tax increase a necessary measure to alleviate the immediate financial crisis and provide a long-term solution to economic recovery. He said WSU stands to lose \$17.4 million in revenues due to budget cuts this year.

"I think there should be a permanent income tax increase," Adamany said. "It would provide a long-term investment in those public sector services, such as universities and public schools, which stimulate private sector growth."

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