

Tax battle to be 'another Chrysler'

by Tim Richard
staff writer

"They won't say 'no.' Nevertheless, suburban state senators say Gov. James J. Blanchard will have to do a lot of negotiating and selling before they will approve the state income tax increase proposed by his Michigan Fiscal Crisis Council.

The panel proposed the tax rate be raised from the current 4.6 percent to at least 5.6 percent and perhaps 6 percent through 1988.

But two Republican senators from Wayne and Oakland counties found fault with the panel's methods, and a Democrat says Blanchard must seek a tax hike because he inherited "ludicrous" figures from the Milliken Administration.

"I WAS disappointed in the report of the Crisis Committee," said Sen. R. Robert Geake, R-Northville, who again will be a member of the Appropriations Committee.

"First, it did not recommend elimination of any state programs. That is not very definitive planning. It's hard to believe, after all the gray years, that there is no program which can't be eliminated. The committee recommended only across-the-board cuts.

"Second, it doesn't take into account the Headlee (tax limitation) amendment, which requires that 41.8 percent of the state budget go to local government. Obviously, we've got to take that into account."

Geake has his own candidate for a program that can be eliminated: MIHSA, the Michigan Occupational Health Standards Act. "Its bureaucracy duplicates the federal government's,

and it harrases small business," the 10-year legislative veteran said.

"It WILL be a political decision, based on a lot of negotiating," said Sen. Jack Faxon, D-Southfield, who will be Oakland County's member of the Appropriations Committee.

"The governor intends to negotiate to see how far they (lawmakers) are willing to go. Right now we're in a precarious situation. There's going to need to be increased revenue, reduced spending or both.

"Poor Blanchard! He got hit from both ends," said Faxon, explaining.

"Jerry Miller, Milliken's budget director, accrued a tremendous number of bills in one year and piled them into the next year's budget. That's what Milliken did every year. Medicare — it's millions and millions out of balance. To Blanchard's credit, he's been straightforward and hasn't tried to fudge it.

"We finished last year (September) by not making payments to universities and shifted all those bills to the next year.

Milliken's revenue predictions were high, Faxon said, because economists predicted a nine million car year and 12 percent unemployment, but Michigan had a five million car year and 17 percent unemployment.

Of Blanchard's staff, Faxon said, "This is another Chrysler. They're geared for the biggest fight of their life."

"NO DOUBT there is a crisis," said freshman Sen. Doug Cruce, R-Troy, "and possibly there will be a tax increase. But a couple of things concern me."

"First, my understanding was that the Financial Crisis Council was to be an independent committee. Instead, they worked exclusively with figures from the governor's office. It was not totally independent. They came up with the conclusion Blanchard wanted.

"Second, there's going to be concern for the windfall income the government gets when the economy rebounds." A 5.5 or 6 percent income tax may bring in more revenue than necessary by 1986, and the question of what to do should be answered now.

Cruce said he would present a bill on the subject, perhaps by the end of this week.

Cruce has been assigned to the Labor Committee, where he will be minority vice chairperson, and to the Commerce Committee, parallel to the committee assignments he had during his two years in the House.

MEANWHILE, A panel of college presidents came out against one portion of the Crisis Committee's recommendations — a \$325-million cut in the state budget.

State colleges and universities would absorb \$60 million of the cuts, community colleges \$10 million and private colleges \$5 million.

"An attempt to solve the entire state problem through reductions alone would render existing state services totally inadequate to the current and future needs of Michigan citizens.

"Nor will the state's long-awaited recovery be sufficient to generate revenues to support an appropriate level of state services, including a quality system of education," they said.

The report was issued by Harold T. Shapiro of the University of Michigan, Anthony J. Dickema of Calvin College, Eugene Gillaspay of Mid Michigan Community College, Richard Norris of St. Clair Community College and George Hainsford of Kalamazoo College.

IN A REPORT issued Friday, the Financial Crisis Council, chaired by Walter J. McCarthy Jr. of Detroit Edison Co. also recommended the Legislature place before voters a November 1984 ballot proposal to increase the state sales tax by an unspecified amount.

"We gotta save the ship," said McCarthy.

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