

LIVINGSTON DAILY.COM

September 10, 2009

Legislators lash out at sales tax plan

By Christopher Behnan
DAILY PRESS & ARGUS

Livingston County's three Republican state legislators lashed out at Gov. Jennifer Granholm's plans to partially balance the state's \$2.8 billion budget hole with new taxes and fees.

On Tuesday, Granholm proposed raising \$685 million in new revenue through a 6 percent sales tax on tickets to concerts, professional and college sporting events and vending machine sales; a 6 percent tax on service contracts; a 1-cent tax per bottle of water sold in Michigan; and a 25-cent-per-pack increase in the cigarette tax.

The governor proposed cutting \$572 million, including a \$150 million cut from the Department of Community Health and \$74 million from revenue sharing.

Granholm's plan strays heavily from the budget proposed by the Republican-led state Senate, which calls for cutting \$1.2 billion from the state general fund and schools, but doesn't include tax increases.

State Sen. Valde Garcia, R-Marion Township, said the Senate version is more in line with the state's economic realities. Garcia said he doesn't foresee Granholm's plan making its way through the Legislature.

He said the state's budget deficit will be even larger in 2011 if state revenue doesn't recover and if the federal stimulus dollars are all expended for the new budget.

"We either pay the piper now or we pay the piper later," Garcia said.

Granholm would use \$973 million in federal stimulus money to partially plug the budget hole, and carry \$482 million of the federal money to the spending year that begins Oct. 1, 2010.

Her plan also would phase out an unpopular business tax surcharge over three years.

Senate Republicans in June pushed their budget-cutting plan through the chamber — past protesting Democrats — without new taxes and with \$1.2 billion in spending cuts (\$300 million of the cuts ordered by Granholm this fiscal year and carried over into next).

That plan includes a \$110 million per-pupil reduction to schools; \$165 million cut in revenue sharing to cities; and the \$140 million elimination of Michigan Promise scholarships.

State Rep. Cindy Denby, R-Handy Township, said Granholm's plan doesn't reflect the struggles of small businesses in the county and across the state.

Denby said the governor's plan mirrors a failed proposal two years ago to tax certain services. She said some of the same small businesses, such as landscaping services, could be subject to a service contract fee under Granholm's new proposal.

The governor is targeting job providers to close the budget gap, Denby added.

"I wish that we would have seen something better from the executive office," she said.

State Rep. Bill Rogers, R-Genoa Township, said Granholm is going back on promises not to raise taxes in Michigan. Rogers called Granholm's proposal the "same playbook, different year."

Rogers said the governor is also turning her back on plans to sock away money for a "rainy day" fund and to pay off existing debt.

"I heard her voice on the radio where they brought that clip back out, 'No new taxes.' Well, here we go," he said.

"I guess the only positive twist is finally at least the governor put a budget out there," Rogers added.

Granholm's proposal would reportedly bring in \$89 million from entertainment tickets; \$21 million from vending machine sales; \$55 million by freezing personal exemptions on income taxes; and \$83 million by reducing the state earned-income tax credit for low-income families.

The higher tax on noncigarette tobacco would generate \$45 million more. Numerous business tax exemptions would be repealed.

Her plan calls for the \$150 million to be cut from the Department of Community Health, as well as \$100 million from the Department of Human Services and \$74 million from revenue sharing — half the cut to communities that Senate Republicans proposed.

The \$150 million cut in the Department of Community Health would come largely by reducing Medicaid payments to doctors and hospitals, officials said.

Of the \$685 million in new revenue, \$546 million would go to the general fund, and \$139 million to the school aid fund, which provides most of the money for public schools.

Granholm would not trim the \$4,000 college scholarship paid to most successful students.

The plan also includes revenue increases for the 2010-2011 spending year. She and lawmakers are wrangling over a two-year budget plan, instead of the usual one-year budget.

Granholm said the Senate cuts would result in cuts to police and fire departments.

"The Senate cuts are dangerous to Michigan," Granholm said. "The Senate has proposed eliminating the Michigan Promise scholarship. I think that's dangerous to Michigan's future."

The ticket tax proposal got a lukewarm response from fans attending Tuesday night's Britney Spears concert at the Palace of Auburn Hills.

"If they put an extra tax on concert tickets, I don't know if I go to any anymore," said Emmily Johnson, 25, of Troy.

If the release of Granholm's plan didn't improve chances for a budget deal by the Oct. 1 deadline, at least it made the battle more public.

Granholm, Senate Majority Leader Mike Bishop, R-Rochester, and House Democrats agreed not to publicly disclose details of their budget negotiations, although Republicans have called on Granholm and Democrats to reveal their proposals.

In a statement, House Speaker Andy Dillon, D-Redford Township, took a hard swipe at Granholm's release of the proposal.

"The governor should know that showboating a proposal that has no chance of passing is not a way to solve the state's fiscal crisis," he said "All parties need to put theatrics and demands aside and get back to the hard work of negotiating a budget solution."

Contact Chris Christoff at (517) 372-8660 or cchristoff@freepress.com.

Detroit Free Press staff writer Brian McCollum contributed to this report.

Contact Daily Press & Argus reporter Christopher Behnan at (517) 548-7108 or at cbehnan@gannett.com.
