

# THE JACOBS CAPITOL REPORT

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## GOV'S PANEL TO RELEASE RECOMMENDATIONS

### Income Tax Option Rejected

Leery of negative media coverage, Governor Granholm's fiscal crisis panel rejected a call to boost the state income tax as a means to help fill the state budget hole.

Members of the panel cited the 1982 income tax increase that resulted in two successful Senate recall votes, concluding that a modern hike would result in similar negativity that would be counterproductive for the governor as she attempts to sell her solutions to the public over the next few months.

If a tax increase is to be explored, the panel seems to prefer expanding the sales tax to services, describing it as a fiscal adjustment that involves "reforming taxes to fit today's economy." The option was not favored unanimously.

Aside from offering tax solutions, one of the panel's objectives was to explain how Michigan fell into this budget mess. This background is included in the report, which concluded that the state's fiscal crisis is far from being just a temporary problem.

"The depth and breadth of this crisis and the fundamental need for investment demand a comprehensive response," the report reads. "It is time for everyone in Michigan to quit blaming each other and move forward together."

Former Republican state representative and budget director Don Gilmer said it was important to add that language because, "The process is much more partisan than it ever was when I was a legislator. There's a lack of dialogue between people and the problem is bigger than the R and D side of the aisle. We have to come together to, frankly, to save Michigan."

The final draft was adopted on Monday night and its formal release was originally slated for later today, although panelists have hinted that its official presentation may be delayed past deadline.

## STATE BUDGETING 101: SELLING GOVERNMENT ASSETS

### Results Mixed Worldwide

Some Michigan lawmakers are considering the merits of selling the state Lottery to help plug an \$800 million hole in the state budget. Illinois recently did so with their lottery, and Indiana is looking to do the same. New Jersey, faced with a \$30 billion state debt, is considering selling or leasing everything from roadways to the Atlantic City airport. In 2005, Chicago agreed to a \$1.8 billion, 99-year lease for its eight-mile skyway with a foreign corporation.

Recently, France has sold many of its historic buildings to U.S. pension funds. Conversely, Italy's prime minister was run out of office shortly after proposing a similar program in 2002.

Should Michigan consider selling or leasing state assets?

It depends. Unlike New Jersey, Michigan does not have lingering state debt. Our state Constitution requires a balanced budget every year. Michigan does, however, have a chronic budget problem. For the past five years, incoming tax revenues have fallen short of the level necessary to maintain the previous year's expenditures. As a result, spending cuts and fee increases have been blended to make up the shortfall. It's a structural gap that grows wider each year.

State assets, of course, can't be sold unless they have value. The Lottery is attractive to investors because it is a proven money maker. Its sale would command a billion-dollar price tag that would infuse state coffers with new life for a few years.

But as years pass, the money earned from the sale begins to fraction. At some point, the selling price is surpassed by the amount of future revenue lost, and there is no way to replace the once consistent streams of revenue.

"Short-term moves executed out of cash-strapped desperation will only deepen Michigan's structural deficit problem," said Senator Gilda Z. Jacobs (D-Huntington Woods).

"We can be creative without being foolish."

Selling naming rights for state venues, rest stops, and even prisons might be a consideration worth exploring.

## GRANHOLM: CUT SPENDING

## State Departments & Agencies Put On Notice

Governor Jennifer Granholm ordered state departments and agencies this week to drastically cut spending on rent, materials, telecommunications, travel, publications and energy in an effort to help balance the state's budget.

The governor issued nine directives with the objective of creating, "Across-the-board restrictions on spending by departments and agencies within the Executive Branch of state government."

This is the most extensive series of spending restrictions since Gov. Granholm took office in 2003.

"While I recognize that resources are already scarce," she said, "and that greater efficiencies already have been achieved in the administrative operations of state departments and agencies, it is critical to implement additional efforts to reduce costs and curtail spending."

"[These directives] really reflect the budget crisis we are facing," said Granholm spokesperson Liz Boyd.

## WIT, WISDOM, ETC . . .

### Quotables

"The four most beautiful words in our common language: I told you so."  
-Gore Vidal

"[W]hat I want and rarely get from a movie [is] a couple of hours filled with characters who are as exciting as the people I know in real life."  
-Gene Siskel

Quote of the Week: George S. Halas  
"Nobody who ever gave his best regretted it."

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State Senator Gilda Jacobs represents the 14th Senate District, which includes Beverly Hills, Bingham Farms, Farmington, Farmington Hills, Ferndale, Franklin, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak Township, Southfield, and Southfield

Township. She is the Minority Vice Chair of the Families & Human Services Committee and the Campaign & Election Oversight Committee. She also serves on the Finance, Economic Development & Regulatory Reform, and Health Policy Committees.

Constituents of the 14th District may contact Senator Jacobs at [sengjacobs@senate.michigan.gov](mailto:sengjacobs@senate.michigan.gov) or toll-free at 1-888-937-4453.

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