

## McIntosh's tax plan and this: Who do you trust?

SOUTH BEND - The room at the Century Center here was smoky and full of blue-collar union workers when Gov. Frank O'Bannon walked in last Wednesday morning.

There was a lot of back-slapping and cheers, and the guys wanted to know about that basketball challenge with David McIntosh.

"My opponent wanted me to debate a slogan," O'Bannon said of the Muncie Gus Macker basketball game that he side-stepped because the Republican had linked it to a discussion on property taxes. "He's using numbers that really don't compute."

Less than 24 hours later, McIntosh appeared with former Gov. Otis "Doc" Bowen at a press conference to perform a long-awaited "fill-in-the-blanks" on his "guaranteed 25 percent property tax cut." It was his attempt to take the "slogan" that he had unveiled last April and swaddle it in the math that would make it work.

McIntosh confronted the cynicism that seemed to have swamped his campaign for the past several weeks. "There has been skepticism about the 25 percent tax cut," the congressman began, "because I think they're skeptical about all politicians. And you in the media are understandably skeptical because you've seen politicians come before you and cook the books with numbers hidden in the back that are not transparent."

As his staff handed out binders stuffed with his comprehensive budget plan and a plethora of studies from Purdue, Ball State, Indiana Realtors and the Hudson Institute, McIntosh told the packed room, "We wanted to make sure that everything is here, warts and all." The reason it had taken so long, McIntosh said, "was because I wanted to make sure it was right."

Essentially, McIntosh has unveiled a budget based on a 5.6 percent annual growth rate (the 10-year average). It would phase in his 25 percent property tax cut over four years and eliminate the inventory tax over six years. He would increase education spending by \$2.3 billion over four years, provide a \$482 million increase for Medicaid, \$156 million for teacher pensions and \$242 million for public safety.

So, how does he cut taxes and increase all those funding categories?

"General expenditures," McIntosh answered. "This is where we see the significant spending cuts. It does not include education, it does not include senior citizens and our children, it does not include law enforcement. But it does include the administrative expenses, Family Social Services Administration, IDEM, DNR, the Department of Administration and the governor's office. It is the operating fund."

McIntosh said that would result in an accumulation of about \$1 billion after four years. "If you didn't have any tax cut, running state government that way would take our surplus of today from \$1.3 billion to just less than \$4 billion in the fourth year. Essentially, what we're doing is holding the line on spending, putting away that money and then using it for the tax cut."

As for independent analysis, Bill Styring of the Hudson Institute - long seen as one of the most capable number crunchers in modern Hoosier history - observed, "I've taken a careful look at it and find it generally within the bounds of state historical fiscal experience. In other words, it is quite workable. In fact, I find the proposal to be the most comprehensive and detailed plan I have ever seen from a gubernatorial candidate."

Styring, and even Republicans such as House

Ways and Means member Jeff Espich, caution that the plan would work assuming there is no recession over a first McIntosh administration.

“This plan is ambitious but certainly doable,” Styring said. “It would not work if we get into a serious economic downturn, but no plan would work if that happens. It also requires a good deal of spending restraint by the legislature and governor.”

Doc Bowen added, “I feel certain it will work. My opponents said the same thing back in 1973 - that it wouldn’t work. They were wrong.” State Rep. Paul Mannweiler added, “I’d rather have a governor who can try; a governor who says I can cut property tax by 25 percent, rather than one who says I can’t do it.”

Indiana Democrats were immediately critical of the plan. “This is the most irresponsible tax and budget plan I’ve ever seen,” said Tom New, Gov. O’Bannon’s campaign manager. “It takes Indiana down a road that would result in deficits of \$400 million to \$600 million by fiscal years ‘04 and ‘05.”

New took issue with the 5.6 percent annual growth rate, saying that Democratic projections see it closer to 5.25 percent.

Republicans counter that their estimated numbers are conservative (over a 20-year period, there has been an annual growth of 6.1 percent), that the tax cuts will stimulate the economy, thus creating even more revenue, and that it doesn’t include any of the tobacco settlement money.

“I’ve heard that supply side economics theory in the Reagan administration and it resulted in a \$3 trillion debt,” New said. “I won’t say it’s completely false - tax cuts can stimulate economic prosperity, but not at that level.”

New also doubted that McIntosh could find much savings in the general fund. In 1989, then-Gov. Evan Bayh utilized an efficiency plan devised by Republican Iowa Gov. Terry Branstadt to make state government leaner. “Indiana ranks 47th in the country in state spending per capita,” New said. “We’ve got a pretty lean government now. I think you’ll find very quickly that those options are going to be few and far between.”

One more wild card that even McIntosh and the Republicans acknowledged: all the stars would have to properly align to get the whole thing through. McIntosh quickly pushed for a Republican House, now controlled by the Democrats, 53-47.

So the battle lines have been drawn between an ambitious Republican challenger and a sitting Democratic governor.

Who should you believe?

“It comes down to trust,” New said. “Who do you trust? A governor who’s cut \$1.5 billion in taxes and still made targeted investments in education, as opposed to someone who has been in Washington, worked in Newt Gingrich’s inner circle, who shut the government down. The governor has produced and enacted tax cuts. David McIntosh has never done that. I don’t think he’s ever passed a bill. He’s been in majority, been close to the former speaker and he hasn’t been able to produce.”

Hoosier voters are going to have ample opportunity to do that over the next 14 weeks.

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