

GET INTERNET THAT KEEPS UP WITH YOUR BUSINESS For only **\$89<sup>95</sup>** per month **MAKE THE SWITCH** Comcast BUSINESS CLASS



# CRAIN'S DETROIT BUSINESS

Detroit and Southeast Michigan's premier business news and information website

Advanced Search: Detroit Business»

Oakland University GRADUATE PROGRAMS **open HOUSE** Thursday, February 3, 2011 5-7 p.m. • Oakland Center Banquet Rooms

- Home
- This Week's Issue
- News
- Crain's Awards
- Features
- Lists/Resources
- Columns
- Blogs
- Events
- Video

Welcome FREDERICK MARX! [PROFILE](#) | [ACCOUNT](#) | [LOG OUT](#) | [Detroit Jobs](#) | [Free E-Mail Signup](#) | [Subscriber Service](#) | [Mobile](#) | [Contacts](#) | [Advertise](#) | [Classifieds](#)

Originally Published: January 31, 2011 9:55 PM Modified: February 01, 2011 2:54 PM

## Snyder reveals his 'Citizen's Guide to Michigan's Financial Health': Simple — and simply grim

By [Amy Lane](#)

Gov. Rick Snyder today presented a no-frills and stark picture of Michigan's finances — including spending and debt levels that exceed state tax revenue, unfunded pension and retiree health care obligations and a state "rainy day" fund that wouldn't cover the cost of government operations for a half-hour.

Snyder put forth a "Citizen's Guide to Michigan's Financial Health" — a simplified state balance sheet designed to show, in an easily understandable form, the state's finances.

The guide is designed to simplify the state's voluminous Comprehensive Annual Financial Report and provide greater transparency for Michigan's total financial condition — including the money that's coming in and going out, fund balances and outstanding obligations.

"One could get depressed. And those of you that know me, I don't get depressed easy. And that's not the point of this exercise," Snyder said in unveiling his 21-page guide at a fiscal summit in Lansing that was sponsored by the statewide CEO group **Business Leaders for Michigan**.

The point of the exercise, the new governor said, is to say, "Here are the facts, let's solve this problem."

Some of Snyder's proposed solutions will become evident Feb. 17 when he presents his state budget and accompanying tax message.

The guide was developed by Business Leaders, **Anderson Economic Group LLC**, the **Citizens Research Council of Michigan**, the **Michigan Association of Certified Public Accountants** and the **Michigan Government Finance Officers Association**.

Snyder also wants the guide to be emulated by local jurisdictions, including municipalities and school districts. And at the summit, Anderson Economic Group senior consultant Caroline Sallee

GLENN TRIEST



Rick Snyder: "One could get depressed. And those of you that know me, I don't get depressed easy."

### Corporate tax proposal: A draft

Late last week, Lt. Gov. Brian Calley's office released a working draft of Gov. Rick Snyder's corporate business tax proposal, which [can be found here](#) at Clark Hill PLC's web site.

**Deloitte.**

Deloitte Growth Enterprise Services

Replay video

Most Read | Most Commented

For Detroit business, no lull before the storm — not even for mice

For Detroit businesses, one person's snow day is another's work day

Possible Borders bankruptcy could hurt local landlords

Rich Rodriguez on Michigan football: 'We were going to be exponentially better'

L. Brooks Patterson plans to revive Wireless Oakland

**ULTIMATE DETROIT JOB HUNTING RESOURCE**

Look for jobs. Research companies.

With the job market picking up steam, **access** the electronic Job Seekers Edition of the *Crain's Book of Lists* **now**. This premium content is available to *Crain's Detroit Business* subscribers.

unveiled a tool that she said would help local governments produce similar reports.

The tool is spreadsheet-based. Once it has been downloaded, municipalities can enter data to produce a report. Both the state citizens' guide and the local tool are at [michigan.gov/snyder](http://michigan.gov/snyder).

The state guide outlines economic and demographic challenges that Michigan faces — such as an aging population, fewer younger workers, high unemployment and a rank of 37th in per capita income among the states.

The guide points to state and local government spending that continually outpaces incoming revenue, with state and local units in fiscal 2010 alone spending \$2.3 billion more than they took in.

The report cites a level of state debt per person that has grown from \$724 in 1979 to more than \$2,430 per person in 2009, with the state borrowing money at a faster pace than personal incomes have grown. Outstanding state debt levels are greater than annual state tax revenue, the report states.

Another fiscal pressure: About \$18.2 billion in unfunded state and local government pension obligations, encompassing \$3.1 billion for the state, \$3.1 billion for local governments and \$12 billion for school districts; and a combined \$40.2 billion in unfunded retiree health care obligations.

The report also points to a growing disparity in private and public sector compensation and says that as of 2009, compensation of state and local government employees — including salary, wages and benefits — was about twice that of private sector workers.

The 2009 average compensation cited: \$85,076 for state workers, \$75,137 for teachers, \$57,333 for local government employees and \$39,986 for private sector workers.

However views and conclusions differ on whether government workers are overcompensated compared with workers in the private sector. Some groups today quickly criticized the state data for not comparing private and public sector employees with similar jobs, years of experience or education.

For example, a 2009 report by **Michigan State University** economics Professor Charles Ballard said "state employees with a high school education or some college receive salaries that are roughly comparable with their counterparts in the private sector," but state employees with bachelor's degrees have salaries that on average "fall substantially short of their private sector counterparts."

The study also cited \$3.7 billion in savings that the state achieved from 2001 through 2008, including more than \$3 billion from salaries as a result of workforce reductions, \$300 million from state employees paying more for health benefits and \$143 million from changes to pensions.

A 2008 **House Fiscal Agency** report also found that Michigan's public sector workforce tends to be more highly educated than the private sector workforce, with nearly 55 percent of state workers holding a college degree, compared with nearly 27 percent of the private sector workforce.

Like the Ballard study, the report found that state employees with college degrees "tend to earn appreciably less than their counterparts in the private sector."

But in a January paper, the **Mackinac Center for Public Policy** said, "Government workers at all levels — whether they're state bureaucrats or public school teachers — tend to receive a more

Re-ignite your job hunt.  
CLICK HERE to subscribe and view.

Meet the 2010 class of 20 in their 20s

Crain's **Twenty in their 20s**

- Check out their profiles
- Watch the video

go»

2011 BOOK OF LISTS

Crain's Lists that EXCEL

Our Book of Lists is now available for download in Excel format

Click HERE to download NOW for \$299

COMING IN CRAIN'S

FINANCE: M&A Awards

Reach influencers in finance, banking, wealth management and consulting

ISSUE DATE: Feb. 28  
CLOSE DATE: Feb. 17

For advertising information  
CLICK HERE

costly benefits package than private sector workers.

The center said the state could save about \$708 million annually if the overall benefits package for state civil servants were made equivalent to that of the private sector.

In a statement responding to Snyder's presentation, Phil Thompson, executive vice president of Local 517M of the **Service Employees International Union**, said: "Public employees have made sacrifices time and time again, and we want to be part of the solution. At the same time, we strongly believe it is only fair that everyone should share in the sacrifices, not just public employees."

That includes closing corporate tax loopholes and ensuring that "Michigan isn't wasting money on tax breaks for big corporations that are not creating jobs, making Michigan more competitive and growing the economy," the union said.

Snyder's remarks capped an afternoon of looking in-depth at state and local government finances.

State Treasurer Andy Dillon laid out items in the state's fiscal condition. They included Michigan's loss of nearly 850,000 jobs from 2001 to 2010, declines in Michigan personal income relative to the U.S. and state debt, including Michigan's \$3.7 billion in federal borrowing to pay unemployment benefits. Last year Michigan employers began paying higher federal unemployment-insurance taxes to repay the principal from that loan and this year began paying additional state taxes to pay the interest on that debt.

Dillon said he may recommend that the state issue debt to pay off the federal obligation, a move that he said would require legislation but would reduce costs to Michigan businesses.

Speaking of local governments' fiscal health, Deputy Oakland County Executive Robert Daddow said, "Some are sound, some are in dire situations, and you have everything in between."

He said local units face a host of challenges, including weak cash flow caused by operating shortfalls and deficits; high unemployment; declines in property-tax revenue, the principal revenue source for most local governments; Michigan and national economies struggling to rebound; state statutes that limit local operating reforms; tight credit markets; and a permanently restructured auto industry.

Daddow said property-tax valuations being challenged at the **Michigan Tax Tribunal** will lead to major revenue losses, particularly appeals involving commercial properties. He said few local units are setting aside funds to cover the property-value losses on taxes already paid that will need to be refunded.

Oakland County alone has 5 percent of its property values under challenge, or about \$3.9 billion, Daddow said.

He said that while the state may need to reduce revenue distributions to local units as part of a solution to stabilize the state's finances, local units cannot rapidly reform operations and reduce costs.

"Reforms take longer than the problems that are going to be imposed on them by the government," Daddow said.

He said that the state's emergency financial manager act needs to be improved to prevent decay in the fiscal health of local units and that emergency financial managers need greater authority.

In his State of the State address this month, Snyder called for changes in Public Act 72 to allow for earlier intervention and assistance and provide greater clarity over the powers of financial managers. Treasurer Dillon said he expects legislation to be introduced soon and called for lawmakers to pass it in February.

In a panel that offered national perspective, Kil Huh, director of research with the Washington-based **Pew Center on the States**, said Michigan is not alone in facing revenue problems and budget shortfalls.

He said the state actually has managed its crisis "fairly effectively — more so than the other states have. Probably because you've had practice. You've been dealing with a decade of persistent



shortfalls and budget challenges."

Huh said pension and retiree health care obligations and spending on corrections are major fiscal areas for states. He said that in terms of funding pension obligations, Michigan is 84 percent funded, above a federal 80 percent benchmark for a well-funded plan.

Also on the panel was state Budget Director John Nixon, who said the fiscal 2012 budget that will be presented Feb. 17 will be in balance and rectify what is currently a \$1.5 billion structural imbalance.

The strategy will not be to raise general taxes but to "look internally and say, 'How can we scale our programs back,'" he said.

"There are a lot of tough decisions that are being made. There will be some programs we'll be recommending elimination on, reductions in others."

The two-year budget will include a projected budget for fiscal 2013, although the Legislature would pass only the budget for fiscal 2012.

Nixon said a goal is to return Michigan, currently rated AA- by **Standard & Poor's**, to a AAA credit rating, an improvement that not only would save the state money but also assure that Michigan's fiscal house is in order.

He called on business leaders to come to the administration with ideas, best practices and solutions.

"This is a partnership," Nixon said. "We need innovators, we need business-minded thinkers. I want you to come to the table."

"You ... run successful businesses. You've been through this."

Business Leaders has produced a two-page fiscal scorecard, based on five indicators of fiscal health from Snyder's guide. The group will come out with the scorecard annually to show "if we are going in the right direction, wrong direction," said Business Leaders President and CEO Doug Rothwell.

The scorecard shows red arrows — all of which point downward.

"While the red indicators of all five of these show that today we are operating under unsatisfactory fiscal practices, arrows are meant to be trends," Rothwell said. "We can turn around the trend."

The scorecard, presentations from the summit, the citizen's guide and local tool and other information is available at [businessleadersformichigan.com](http://businessleadersformichigan.com).



Like

POWERED BY Pluck



**JOSEPH P. ALAM** wrote:

It does not matter whether or not public employees are over paid. All that matters is what we have the revenue to pay for.

Governor Snyder has the leverage to force a deal with the Public employee unions and in fact with all the unions. He has a Republican house and Senate and even a Republican Supreme Court. the question is whether he has the political will to make a tough decision.

He can tell the unions they have to reduce compensation or he will propose and pass "right to work" laws. Tough, but that threat may be what is needed.

For your information, I am pro-union. Take a look at what the auto companies have done and are doing to their suppliers. They would treat their employees the same way if the unions were not there to support them.

Having said that, we can only afford so much and must continue essential services. We cannot afford public employee compensation, benefits and retirement costs at the current level.

2/2/2011 5:21 PM EST

[Recommend](#)

[Report Abuse](#)

[Permalink](#)



**Mike Gonvea** wrote:

Hi Amy. Nice piece. I must say that I find the comments made by Charles Ballard and Phil Thompson to be a bit confusing. Whether it's apples to oranges or apples to elephants the trend data are clear. The trajectory of public employee compensation is decidedly up, and the trajectory of private sector employee compensation is down. Additionally, the state's public sector employees are compensated better than their counterparts in other Great Lakes states, and at least those that didn't take optional and generous early retirement packages, still have jobs. I recently posted a little piece on this topc. If you're interested in checking out,I think you can find it at <http://www.examiner.com/political-buzz-in-detroit/balancing-michigan-s-budget-irresistible-force-meets-immovable-object>

2/1/2011 8:17 PM EST

[Recommend \(1\)](#)   [Report Abuse](#)   [Permalink](#)

**Add a comment**

Submit

**SUBSCRIBE TO CRAIN'S DETROIT BUSINESS**

If you enjoy the content on the *Crain's Detroit Business* Web site and want to see more, try 8 issues of our print edition risk-free. If you wish to continue, you will receive 44 more issues (for a total of 52 in all), including the annual Book of Lists for just \$59. That's **over 55% off** the cover price. If you decide *Crain's* is not for you, just write "Cancel" on the invoice, return it and owe nothing. The 8 issues are yours to keep with no further obligation to us. Sign up below.



Name:

E-mail:

Company:

Address:

City:  State:

Zip/Postal Code:  Country:

**Crain's** related

Type the two words:



SUBMIT

Offer valid for new MI subscribers only. Non-MI subscribers – \$79. All other Foreign – \$127.

- Home**
- Subscription Center
  - E-Newsletters
  - RSS
  - Facebook
  - LinkedIn
  - Twitter
  - Advertise
  - How to Get Your News in

- News**
- Latest News
  - Advertising/Marketing/Media
  - Auto Suppliers/Manufacturing
  - Banking/Finance
  - Defense
  - Economic Development/Economy
  - Education/Training/Workforce
  - Health Care/Health Care Extra
  - Hospitality/Tourism
  - Legal Issues/Law
  - Nonprofits/Philanthropy
  - Real Estate
  - Retail
  - Services

- Get More**
- Lists
  - Book of Lists
  - CareerWorks
  - Detroit Job Board
  - Nonprofit Job Board
  - Ask the experts
  - Latest Staff Blogs

- Lists/Resources**
- Lists
  - Book of Lists
  - CareerWorks
  - Detroit Job Board
  - Nonprofit Job Board
  - Ask the experts
  - Events**

<a href="#">Crain's</a>	<a href="#">Energy/Environment</a>	<a href="#">Sports/Entertainment</a>	<a href="#">Video</a>	<a href="#">Local Events Calendar</a>
<a href="#">Editorial Calendar</a>	<a href="#">Entrepreneurship/Second Stage</a>	<a href="#">Statewide/Michigan Business</a>		<a href="#">Submit Your Events</a>
<a href="#"><u>This Week's Issue</u></a>	<a href="#">Food/Restaurants</a>	<a href="#">Technology/Life Sciences/R&amp;D</a>		<a href="#">Upcoming Crain's Events</a>
<a href="#">This Week's Issue</a>	<a href="#">Government/Public Policy/Politics</a>	<a href="#">Transportation</a>		
<a href="#">Weekly Issue PDFs</a>				

---

© 2011 Crain Communications Inc.  
Use of editorial content without permission is strictly prohibited. All rights Reserved  
[Privacy Statement](#) | [Disclaimer](#)

[Expand](#)  
[next](#) [previous](#)  
[Close](#)

[Previous](#)

0/0

[Next](#)









