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Wednesday, January 30, 2008

Daniel Howes

Gov. can't pave over budget problems



The official text of her State of the State address is headlined "Creating Opportunity in a Changing World," which is no guarantee that Gov. Jennifer Granholm will do much of the sort as the nation teeters on recession and threatens to pull Michigan into an even deeper one.

In Tuesday's speech to the Legislature, she musters the requisite anger at oil companies, hammers the "con men who stoked the subprime crisis" and blames a government in Washington "that refuses to enforce trade laws as our jobs disappear." And she recognizes the state is "battling a protracted economic crisis" which, I would add, has achieved Michigan sad-sack status in the broader world.

Her first bold recommendation: "Significantly increase" the advertising of the state to boost tourism and attract possible business investment in the Big Mitten. Her second is to call for "robust incentives" to grow the film industry in Michigan.

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The nation's economic slowdown is imminent, meaning Michigan's one-state recession is about to get some company. Translation: Conditions are riper than at any time in her administration to spurn special interests and undertake the kind of structural-reform-cum-fiscal-workout that could fashion whatever legacy Granholm can claim.

But no.

Boldness has seldom been a hallmark of Team Granholm. This State of the State looks more like path-of-least-resistance calculation than an our-backs-are-against-the-wall determination because the latter is too hard, even now. Even now, after the budget-shutdown fiasco last fall, which pushed the

approval ratings of Granholm and the Legislature to Bush-like levels.

Seeking structural reform

Beyond her new job-creation tax credit and \$300 million drawn from the state pension fund to invest in "high-growth" (or high-risk, when you're talking about pension dollars) companies, the gov promises more reform.

She wants to adopt undefined corrections policies similar to neighboring states and create a single Web portal for business to work with state government. She also wants credit for a new three-year contract with state employees that saves \$170 million a year.

Is that it?

Not quite. There is her own \$1 billion economic stimulus package, paid for with bond refinancing, that focuses on road building and construction over the next two years. There's a "fiscally responsible budget" that proposes no new programs unless first identifying revenue to pay for them, and the promise of more jobs in the utility business if the Legislature passes a comprehensive energy package.

Where is the call to end binding arbitration for police and fire employee contracts? Or the vow to align the pensions and health care benefits of local government and public school employees with state employees?

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Or a pledge, as sought by Detroit Renaissance, to focus tax and regulatory reform on the total cost of doing business in Michigan -- not the disparate pieces of taxes, regulation and the cost of labor?

Yes, it's an election year. But where, in short, are meaningful pieces of the structural reform agenda the governor's blue-ribbon emergency financial panel and corporate Michigan -- the people who create jobs here and know the drill in Lansing -- have been demanding?

Future? What about now?

"Crisis means opportunity," says Patrick Anderson, CEO of Anderson Economic Group in East Lansing. "And, boy, have we had opportunity the past two years. We shut down state government. We ran out of money. And there's some question about the technical solvency of two of the state's major funds -- the general fund and the school aid fund."

Hello? Give the governor credit for trying to strike the chords of bipartisanship, for trying to bury the rancor and acknowledge the anger and disappointment so many express about both parties and state government.

But Michigan can't market and road-build a way out of its predicament, now going on, what, eight years. Yes, the governor sees the state's place in the future -- even if comes at the expense of the present.

Daniel Howes' column runs Mondays, Wednesdays and Fridays. You can reach him at (313) 222-2106, dchowes@detnews.com or detnews.com/howes.

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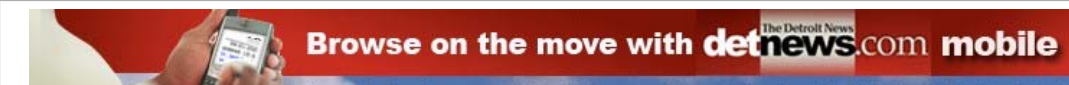
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