



Bankruptcy Pressuring State's Budget

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Even the most eloquent of economists can only explain the effects of GM's bankruptcy one way:



"It's a very big mess," says Patrick Anderson of the Anderson Economic Group.

Anderson says the automaker filing for Chapter Eleven is of grave concern to anyone watching our state's pocketbook.

"With GM's bankruptcy, its another huge blow to the state's economy at a time when it was already very weak," he says.

House Fiscal Agency Director Mitch Bean says he and the state's other number crunchers have already factored a GM bankruptcy into their state revenue estimates. But it's all based on a so-called "good" bankruptcy; for instance, if it lasts only 60 to 90 days, and if customers stay loyal.

"Even under the scenarios of good bankruptcy, very difficult decisions will have to be made in the next year or two," he says.

Bean says "good" bankruptcy is still bad news for Michigan.

"We could be, next spring, looking at, under a good scenario, easily a \$2 billion shortfall," he says of the 2011 fiscal year.

But if we face a so-called "bad" bankruptcy, the state's deficit would grow even more, and the implications will be deep, he says.

"You have to start eliminating services. This is not trim a little, this is eliminate things. Or you have to raise revenue," Bean says.

If it's a bad bankruptcy, the number crunchers will have to re-calculate the state's budget. Their predictions of nearly 100,000 autoworker job losses between this year and next would have to be recalculated, too.

Bean says they won't know for another three to four months whether or not GM's bankruptcy will be a "good" or "bad" one.

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