

Shutdown would have broad impact

by Mark Hornbeck
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A Michigan government shutdown on Oct. 1, which grows more likely with each passing day, would deliver a blow to the state from Main Street to Wall Street, political and image experts agree.

The damage to a state struggling to rebound from severe economic woes would be immediate and long-lasting. It would temporarily curtail spending from the state's \$9 billion general fund and \$13 billion school aid fund and could send many, if not most, of the state's 53,000 employees home without paychecks.

"It's horrible. It's the worst-case scenario. It makes us look incompetent, that we can't get it together and the public should have no confidence in our political leaders," said Bob Kolt, Michigan State University advertising professor. "This would be a black mark on Michigan for a long time, and at a time we really need to put a positive image forward for economic reasons."

Beyond the damage to its economy and reputation, a closure at the Capitol could have significant impacts on the lives of Michiganders. Public schools could close. Road construction would stop. Mid-year university tuition hikes might be inevitable. Medicaid payments for treatment of the poor would cease.

Shutdowns, while rare, are not unheard of. New Jersey shuttered its government for nine days last year. Among the victims: 45,000 non-essential state employees, Atlantic City casinos, parks, the state lottery, the motor vehicle division, the state education department and some courts.

Former Michigan Treasurer Doug Roberts said that closure would discourage businesses from locating here and gore the state's standing with Wall Street credit rating agencies.

"Even if it's a shutdown for a short period of time, and even if it's just part of state government, it would be seen badly by people looking to invest in Michigan, it would be seen badly by the credit rating agencies and it would be seen as a negative years from now," said Roberts, director of the Institute for Public Policy and Social Research at Michigan State University.

So-called nonessential services -- such as restocking liquor at the neighborhood bar or party store, lottery sales, state parks and driver's license renewals -- are at risk because Michigan's Constitution prohibits the spending of money that has not been authorized by the governor and the Legislature.

Because public safety is involved, prisons will continue to operate -- even in violation of the constitution. So will mental hospitals. And State Police troopers are expected to remain on patrol.

But if you expect to conduct business at a Secretary of State branch in coming weeks, plan fall camping at a state park, need to buy a deer hunting license or want to schedule a school field trip to the State Museum, you'd be prudent to do it now.

Granholtz and her state department chiefs refuse to say what programs will lock down if there's no resolution to the \$1.75 billion budget crisis when the new fiscal year starts Oct. 1. She says she doesn't want to talk specifics while there is still a chance of avoiding a shutdown.

But even the most optimistic state officials are now worried about a shutdown.

"Certainly citizens will need to know what a shutdown would mean to them," said Liz Boyd, spokeswoman for Granholtz. "Certainly we know what our options are and we have contingencies in place if that's necessary. But we have nine or 10 days and the governor is doing everything in her power to avoid a shutdown."

What's at risk

While Granholtz keeps her plans under wraps -- virtually every department from Agriculture to Treasury will be affected -- those who work closely with her state agencies say she's already tipped her hand on some of the

services that will cease, and others are automatically presumed to be destined for shutdown because they clearly are not essential. Among them:

* Road projects:

State officials have notified road builders that state highway projects would cease during a government interruption, said Mike Nystrom, vice president of government and public relations for the Michigan Infrastructure and Transportation Association.

That means the orange barrels will stay up, but there'll be no work crews.

"We're already in a slowdown mode because of the economy, and this will only put us further behind the eight ball," Nystrom said. "If we are pushed back by even a week, it might mean we won't complete a project this year."

* School districts and universities: Local schools would tap waning budget surpluses to keep their doors open during October. One-tenth of state school aid -- more than \$1 billion -- is sent to districts around the middle of the month. But 168 districts have little or no fund balances, according to a survey taken in the spring by the Michigan Association of School Boards.

"Depending on how long they have to go without state aid payments, those districts would either have to close or borrow to stay open. That would be a local decision," said association executive director Justin King.

Universities are due \$280 million in October, about one-fifth of their state allotment, because they'll be owed the October payment and an August payment that was delayed to bail out this year's budget. Mike Boulus, who heads the Presidents Council of State Universities, said it's unlikely any colleges would close during October but another payment delay would be a hardship for some.

"You could have payless paydays and have to cobble things together until January when we could raise tuition again," Boulus said.

* State parks: Dennis Muchmore, president of Michigan United Conservation Clubs, said the Natural Resources Commission projects 80 conservation officers would have to be furloughed under a government shutdown.

"I would think if you had a state park reservation, you'd show up and it would be closed," Muchmore said.

* Secretary of State offices: The state issues 1,900 license renewals and personal ID cards a day at 153 branch offices, plus nearly 60,000 other daily transactions such as tag renewals, driver tests and title transfers.

"If there's a failure to enact a budget, we would have no authority to spend so it would result in a halt of our services," said department spokeswoman Kelly Chesney.

* Professional licenses: The state licenses 75 professional groups, from boiler inspectors and master plumbers to accountants, appraisers and barbers. A shutdown likely would put the brakes on issuing these licenses, which people need to make a living.

* Gambling: State officials say Detroit's three casinos likely would be closed because layoffs would include gaming inspectors, who according to state law, must be on the job for the gambling halls to operate.

City officials, however, say they'll see to it that the casinos remain open. But they aren't saying how.

Casino officials said they get their licenses from the state, not the city, and they won't do anything seen as a violation of state gaming laws or rules.

The state and the city each would lose about \$450,000 in gaming taxes for every day the casinos are closed.

State lottery games certainly don't constitute an essential service, but they do generate revenue for the state. If the lottery is halted, the state school aid fund would lose about \$2 million a day, said lottery spokeswoman Andi Brancato.

* Health programs: The six state psychiatric hospitals would remain open, but other programs such as disease

prevention, smoking cessation and nutrition education seem destined for shutdown.

A department spokesman said there would be no payments to doctors and hospitals that serve poor and disabled Medicaid patients. The concern, according to health officials, is that some health care providers would refuse to see Medicaid recipients.

"If the Legislature and governor allow the state to shut down on Oct. 1 -- or if they make another round of massive Medicaid cuts -- more Michigan residents will lose their health care coverage and more will become sicker," said Spencer Johnson, president of the Michigan Health & Hospital Association. He said a one-month shutdown would block about \$225 million in patient care reimbursement to doctors and hospitals.

* State Police: A government stoppage would likely have a greater impact on command officers than on road patrols, said Mike Moorman, president of the Michigan State Troopers Association.

* Prisons: The state's 50,000 prison inmates would undoubtedly remain locked up in the event of a shutdown. In addition, officers would remain on duty to supervise 71,000 parolees and probationers, according to Corrections officials.

Corrections Department spokesman Russ Marlan said the supervision of 71,000 parolees and probationers would continue, because it is considered an essential service.

* Food and gas pump inspections: Agriculture Department officials said their programs could be suspended. Those include inspections of convenience stores, gasoline pumps and grocery stores.

* Liquor: The state regulates the sale of liquor, which would not be available to stores. Lance Binoniemi of the Michigan Licensed Beverage Association said most outlets would accumulate supplies in advance, so store shelves would remain stocked in the short-term. There would be no problem finding beer and wine, whose sales aren't state-regulated, he said.

* Child protection workers: It's unclear, if they'd remain on the job, but children's advocates are worried. "We're mostly concerned, if there's a shutdown, that there won't be workers to check on the children," said Stacey Range, spokeswoman for Michigan's Children. "There's no oversight. We're not even sure what the state could do to watch over our children."

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