



MICHIGAN

The State Does Not Have the Money to Pay Bills

Michigan has \$50.2 billion worth of assets, but most of these assets are not available to meet their obligations.

More than \$23.3 billion is infrastructure like roads, bridges and parks, which cannot realistically be used to pay bills. The use of almost \$5.8 billion of the assets is restricted by law or contract.

Michigan is in Financial Jeopardy

Less than \$21.1 billion of the State's assets are available to pay \$71.2 billion of bills as they come due.

More than \$50.1 billion of State employees' retirement and other costs have been pushed into the future, and thus onto our children's and grandchildren's backs.

Each taxpayer's share of the financial burden is \$16,400.

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Table with 2 columns: Asset Category, Amount. Rows: Assets (\$50,234,737,000), Less: Capital Assets (\$23,370,598,000), Restricted Assets (\$5,776,603,000)

Available Assets to Pay Bills \$21,087,536,000

Bills \$71,196,786,000

Money Needed to Pay Bills \$50,109,250,000

Each Taxpayer's Financial Burden \$16,400

Data is derived from the State of Michigan's September 30, 2009 Audited Comprehensive Annual Financial Report and Retirement Systems' Actuarial Reports

So-Called "Balanced" Budgets Ignore True Costs

The State of Michigan reported liabilities of only \$32.1 billion. IFTA's detailed analysis discovered that retirement liabilities of \$39.1 billion were unreported by the State. When these liabilities are included, the State's bills total \$71.2 billion.

So-Called "Balanced" Budgets Ignore True Costs

Table with 2 columns: Liability Category, Amount. Rows: Reported Liabilities (\$32,110,366,000), Unreported Retirement Liabilities (\$39,086,420,000), Total (\$71,196,786,000)

Michigan's statutes require the legislature to pass a balanced budget. One of the reasons Michigan is in this precarious financial position is State officials use antiquated budgeting and accounting rules to determine payroll costs.

Since retirees' health care benefits are not immediately payable in cash, Michigan's politicians ignore these payroll costs when calculating "balanced" budgets. As a result, the State set aside only 52 cents to pay for each dollar of these promised benefits.

Truthful accounting would include the portion of retirement benefits employees earn every year they work in payroll costs.

Accurate accounting requires all real and certain expenses be reported in the State's budget and financial statements when earned, not when paid.

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About

The Institute for Truth in Accounting (IFTA) was created by distinguished financial and public policy experts concerned with the quality of public and private organizations' financial reporting.

The mission of IFTA is to encourage private and public entities to produce financial reports that are understandable, reliable and transparent, and to inform the public of the importance of truthful budgeting and accounting.

IFTA actively seeks association with other public interest groups and individuals that recognize the need to improve financial reporting, or want to better understand the true consequences of financial decisions.

The Institute is a non-profit, nonpartisan organization that does not advocate public policy beyond that of truthful accounting.

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Financial State of the State