

MEMORANDUM

TO: Interested Clients
FROM: Richard N. Wiener
DATE: January 9, 2012
SUBJECT: 11 Reflections on 2011

As Governor Snyder prepares to deliver his second State of the State speech on January 18, we thought it might be useful to reflect on 2011 – not so much from the standpoint of substantive accomplishments, but from the standpoint of trends and benchmarks.

These “11 Reflections on 2011” are not a commentary on the “correctness”, by whatever standard of any individual action or policy. Each of you have your own views on that. This memo is more of a thought piece on trends that we can expect to continue in 2012 based on the lessons acquired in 2011.

Here, briefly, are our 11 reflections, primarily on the Snyder Administration but to a lesser degree on the Michigan Legislature as well. Where appropriate, we will draw some comparisons to previous administrations, dating back to the Milliken Administration.

Reflection 1: Passage of the Fiscal Year 2011-12 Budget was a seminal definition of this Administration.

Admittedly, the Governor had some good fortune in that regard. He started with large majorities in the Senate and in the House. He also started with something neither Governors Blanchard, Engler, nor Granholm had – increasing and higher than expected revenues – a trend that, according to the Senate Fiscal Agency and others is expected to continue in 2013. Official revenue projections will be determined at the Revenue Estimating Conference on January 13 when projections from the Senate and House Fiscal Agencies, along with the Department of Treasury, will be used to establish a consensus agreement.

Having said that, the Governor was not required to even submit his budget until the beginning of March. He submitted it on February 17 – and when the chattering class in Lansing speculated that he was trying to complete the budget by June, the Governor one-upped everyone by saying he wanted the budget completed by May.

Completing the budget bills ([PA 62](#) & [PA 63](#) of 2011) by May 26 – before the Detroit Regional Chamber Policy Conference at which virtually every Michigan opinion leader attends – was a defining accomplishment and was the “buzz” for a long while thereafter. Coupled with the business tax reduction (see below) they were the two defining moments, in our view, of how this Administration wanted to be perceived – efficient and competent, and exhibiting “relentless positive action.”

Reflection 2: The Governor prevailed on the Michigan Legislature to tax future pensions.

Yes, let's repeat that. The Governor prevailed on the Michigan Legislature to pass, with only Republicans voting in favor, an income tax on future pensions ([PA 41](#), [42](#), [43](#), [44](#) & [45](#) of 2011). Admittedly, it was coupled with the replacement of the Michigan Business Tax (MBT) with a six percent corporate income tax ([PA 38 of 2011](#)) which was a significant carrot to Republican members of the Legislature. The replacement of the MBT itself, however, was a singular and tone-setting accomplishment, and delivered early on perhaps the most repeated campaign pledge that candidate Rick Snyder made in 2010.

Whether you agree with the approach or not misses the point – it was a significant accomplishment and one accomplished not without risk. Its success was the “rest of the story” on Mackinac Island and the second significant tone setter for the year.

Reflection 3: The Governor's selection of Executive Staff sent comforting signals to those following activities at the State Capitol most closely – and they were meant to.

Michigan elections are said to be won by avoiding the conventional wisdom inside of Lansing. Remember past conventional wisdom: Governor Engler was not expected to upset Governor Blanchard in 1990, or for that matter, Governor Snyder was not even expected to emerge from the 2010 Republican primary.

Having said that, governors have historically fared best, and surely early in their administrations, by having a strong core of governmental experience and Lansing expertise among their most senior administrators and advisors.

Governor Snyder knew that he was an outsider to Lansing. He compensated for it, not just in his selection of then State Representative Brian Calley (R-Portland) as his Lieutenant Governor but also in his selection of Dennis Muchmore as his Chief of Staff and Bill Rustem as his Director of Strategy. Both bring nearly four decades of Lansing experience to their positions and gave many – including us – great comfort on issues of competence, vision, and access. Among other selections that were comforting were seasoned Lansing veterans such as Lieutenant Governor Dick Posthumus, now the Governor's Legislative Director, and Legal Counsel Mike Gadola.

Reflection 4: Like previous Governors, Governor Snyder appointed strong and competent administrators to Cabinet level positions.

Think of your favorite Governor – Milliken, Blanchard, Engler, or Granholm (none of us at Wiener Associates go back to the Romney era). Then think about the initial Cabinet members that you remember. You will recall that they were almost uniformly thought of as having strong policy or administrative skills (or were soon weeded out). Governor Snyder appointed Cabinet members who were similarly regarded at the time of appointment. A sampling, and far from a complete list, includes: Maura Corrigan at Human Services (previously on the Michigan Supreme Court), John Nixon at the Department of Technology, Management, Budget, Kirk Steudle at MDOT (holdover from Granholm) and Dan Wyant at DEQ (former Engler cabinet

member) – and yes, many others. Whatever policy differences one may have with them, they are generally regarded as good at what they do – and those that aren't are likely to be gone.

Reflection 5: Lieutenant Governor Brian Calley's role in the Administration represents a substantial increase in the influence of the Office of the Lieutenant Governor.

Historically, Lieutenant Governors have presided over the Senate and given some “pet projects – such as Lieutenant Governor Connie Binsfeld's role in the Children's Commission addressing child protective services issues or Lieutenant Governor John Cherry's activities with the Cherry Commission on Higher Education and Economic Growth. While Lieutenant Governor Cherry was involved in most strategic decisions, it appears that Lieutenant Governor Calley's involvement is even more so. As Gongwer noted in a year end column: “Calley has redefined the lieutenant governor's post into one of sweeping influence in most major aspects of the administration.”

His reach has been expanded with the blessing and complete confidence of the Governor and we expect to see it equally on display in the coming year.

Reflection 6: The Governor has set programmatic and policy goals through the issuance of “special messages.”

Not since the Milliken Administration have special messages been used to frame policy to the degree that Governor Snyder has – and perhaps even not then.

Other than a firm commitment to replacing the Michigan Business Tax with a 6% corporate income tax, the Governor's campaign platform was very general. Frankly, he did not need to be more specific – and, by and large, in many areas, he wasn't.

Rather than loading all of his initiatives into his initial State of the State message back on January 19 however, the Governor has spaced them out, with five special messages to the legislature: on local government reform ([March 21](#)); education ([April 27](#)); health and wellness ([September 14](#)); transportation and infrastructure ([October 26](#)); and talent and workforce development ([December 1](#)); and has used them to frame specific administrative goals.

Some of the messages, most notably education, are more advanced in implementation. For others, such as that dealing with infrastructure, implementing legislation has yet to be introduced. For each subject area, however, the message will serve as a “measuring stick” against which the Governor will be measured – and he has been most willing to accept that measurement.

Reflection 7: The Governor has been willing to part company with the conventional orthodoxy of his own party.

Make no mistake about it – Governor Snyder *is* a Republican. Despite his appeal to Independent voters and Democrats in both the general election and even in the primary, he has thoroughly proven his Republican *bona fides*. He has, amongst other measures: signed a business tax cut ([PA 38 of 2011](#)); workers compensation changes ([PA 266](#)); unemployment insurance

compensation changes ([PA 269](#)); changes in public employee benefits legislation ([PA 152](#)); and lifting the cap on charter schools ([PA 277](#)).

He has also signed what has been regarded as an emotionally charged measure to allow the Oakland County Board of Commissioners the ability to redistrict itself, thereby making virtually certain that Republicans will continue to control the county commission in 2013 – *after* the county had completed its redistricting plan ([PA 280](#)).

The Governor has, however, parted ways with his Republican colleagues in a number of areas. These include: a restriction on stem cell research by institutions of higher learning and legislative intent blocking universities from providing benefits to same sex partners—Snyder deemed these “unenforceable” and said the administration would not enforce them; his willingness to initiate a health information exchange even before the Supreme Court rules on the constitutionality of the Patient Protection & Affordable Care Act; his refusal to engage in multi-state efforts to repeal led by conservative Republican governors/attorneys general in 26 states—including Attorney General Bill Schuette; his refusal to engage on proposed right-to-work legislation, citing it as divisive; and his strong support of the New International Trade Crossing, a non-starter with many in his party.

Reflection 8: The Governor has defended the prerogatives of the Executive Branch against even a Republican controlled legislature.

The Governor has vetoed two measures passed by the Michigan Legislature. The first was most instructive. It was a veto of HB 4326 on November 30, which would have placed limitations on the ability of a department to promulgate administrative rules, particularly those rules that are more stringent than applicable federal rules. While he couched the veto in terms of needing strong rule making power to protect the Great Lakes, the Governor staked out a ground that he will thoroughly use the powers of the Executive Branch, as did both Governors Engler and Granholm, particularly on governmental reorganization issues.

The Governor has also been rumored to be considering administrative action in other areas, particularly in the use of an inter-governmental agreement to create a New International Trade Crossing without seeking legislative approval. His efforts to create the new crossing have to this point been stymied by the Michigan Legislature – the most visible initiative to be stalled at this point.

Reflection 9: The Governor has resisted all efforts to engage in harsh public words even toward his most strident detractors.

He referred to those occupying the Capitol and those who have on countless occasions as exercising their First Amendment rights: “The protestors are part of democracy in action,” Snyder said, “and as long as they are respectful, the protests are fine.” While having some policy disagreements with organized labor, he has refused to engage in the harsh anti-labor rhetoric which, for example, the governors of Wisconsin and others have engaged, and in fact engaged directly with UAW President Bob King to resolve the issues surrounding employee concessions.

Reflection 10: The Governor is hoping to have made the toughest decisions in his first year.

Making tough decisions in the first year allows the public to keep perspective, particularly when it is time to run for reelection.

The Governor cut higher education by 14%. He cut school aid by \$300 per pupil. He cut revenue sharing by 28%, albeit with some givebacks. He cut graduate medical education by 9%.

This is above and beyond some of the controversial legislation that was passed, as mentioned above. Given the increasing state revenues, the Governor may have the ability to restore some of these cuts, should he so choose, in subsequent years, and signaled an interview with Michigan Public Radio, a willingness to do so, while expressing caution that this will depend on the national and state economic outlook.

Governors Blanchard and Engler faced comparable challenges and also, unlike Governor Granholm, benefitted over the course of their tenures by a state economy that improved over time. Governor Blanchard, in his first months of office, had to issue an Executive Order ordering massive budget reductions and lead to passage on a near party-line vote a 38% increase in the Michigan income tax. Governor Engler made major cuts in the state Medicaid budget, including numerous auxiliary services (all ultimately restored) and led to passage elimination of General Assistance in the Department of Social Services (now Department of Human Services) budget.

These changes, amongst others, were highly controversial at the time – and lead us to our final reflection.

Reflection 11: Governor Snyder's job approval rating dropped precipitously in 2011 – but history indicates that the passage of time allows the creation of a broader perspective.

At the close of the year, Governor Snyder's approval had dropped from 45% to 19%--the lowest for any governor in the nation according to Michigan State University.

At the close of Governor Granholm's first year, her approval rating had dropped from 57% to 48%.

Governor Engler's had dropped from 35% to 17% - and Governor Blanchard also experienced a precipitous drop in his approval. All had faced recall efforts in their first year and Governor Blanchard, as did Governor Snyder, experienced the recall of legislators – 2 in Blanchard's case – for supporting his policies.

What happened to each of the preceding Governor's?

Governor Blanchard won reelection in 1986, defeating Wayne County Executive William Lucas by the largest margin in state history - 37% (68%--31%)

Governor Engler won reelection in 1994, defeating former Congressman Howard Wolpe with 61% of the vote.

Governor Granholm won reelection in 2006, defeating challenger Richard DeVos by a 56% - 42% margin.

Each recognized the importance of doing the tough work early – as has this Governor – and letting the wisdom of the voters mature with the perspective of a full term as Governor.

Now, what about Governor Snyder? He has not, of course, announced for reelection – yet. As the stock market commercials say, “Past performance is not a measure of future behavior” – but it’s what we’ve got.

As we near Governor’s State of the State address, it will be interesting for us what references he makes to the “dashboards” he has established as benchmarks to the performance of State and local government, and of the state generally

We hope you have found this useful or at least interesting and welcome your comments.