RANK
35

MICHIGAN

SUMMARY

On the basis of its fiscal solvency in five separate categories, Michigan ranks 35th among the US states and Puerto Rico for its fiscal health. On a cash basis, Michigan has between 1.04 and 2.26 times the cash needed to cover short-term bills. Revenues exceed expenses by 1 percent, producing a surplus of $64 per capita. On a long-run basis, net assets are 1 percent of total assets, and total liabilities are 33 percent of total assets. Total debt is $7.41 billion. Unfunded pension liabilities are $123.31 billion, and other postemployment benefits (OPEB) add $20.60 billion in unfunded liabilities. These three liabilities are equal to 38 percent of total state personal income.

2014 TOTAL LONG-TERM OBLIGATIONS

STATE DEBT

	General obligation bonds	Total primary government debt	State personal income	Ratio of debt to state personal income	Total primary debt per capita
Michigan	$4.31 billion	$7.41 billion	$403.73 billion	1.8%	$748
National average	$6.60 billion	$13.76 billion	$288.25 billion	6.0%	$2,144

PENSION LIABILITY

	Unfunded pension liability	Funded ratio	Market value of unfunded liability	Market value of funded liability ratio
Michigan	$34.23 billion	63%	$123.31 billion	32%
National average	$20.46 billion	74%	$86.85 billion	40%

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

	Total unfunded OPEB	Funded ratio
Michigan	$20.60 billion	12%
National average	$11.14 billion	12%

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3.0

2.0

1.0

UNDERLYING RATIOS

	Cash ratio	Quick ratio	Current ratio	Operating ratio	Surplus (or deficit) per capita	Net asset ratio	Long-term liability ratio	Long-term liability per capita
Michigan	1.04	1.77	2.26	1.01	$64	0.01	0.33	$1,313
National average	2.40	3.18	3.54	1.06	$448	−0.03	0.47	$3,069

	Tax-to-income ratio	Revenue-to-income ratio	Expenses-to-income ratio	Pension-to-income ratio	OPEB-to-income ratio	Primary debt-to-income ratio
Michigan	0.06	0.13	0.13	0.31	0.05	0.02
National average	0.06	0.14	0.13	0.31	0.03	0.06

KEY TERMS

24th
long-run solvency ▶ US average

30th
service-level solvency ▶

32nd
trust fund solvency ▶

37th
budget solvency ▶

34th
cash solvency

−1.0

−2.0

−3.0

- **Cash solvency** measures whether a state has enough cash to cover its short-term bills, which include accounts payable, vouchers, warrants, and short-term debt. (Michigan ranks 34th.)

- **Budget solvency** measures whether a state can cover its fiscal year spending using current revenues. Did it run a shortfall during the year? (Michigan ranks 37th.)

- **Long-run solvency** measures whether a state has a hedge against large long-term liabilities. Are enough assets available to cushion the state from potential shocks or long-term fiscal risks? (Michigan ranks 24th.)

- **Service-level solvency** measures how high taxes, revenues, and spending are when compared to state personal income. Do states have enough "fiscal slack"? If spending commitments demand more revenues, are states in a good position to increase taxes without harming the economy? Is spending high or low relative to the tax base? (Michigan ranks 30th.)

- **Trust fund solvency** measures how much debt a state has. How large are unfunded pension liabilities, OPEB liabilities, and state debt compared to the state personal income? (Michigan ranks 32nd.)

For a complete explanation of the methodology used to calculate Michigan's fiscal health rankings, see Eileen Norcross and Olivia Gonzalez, "Ranking the States by Fiscal Condition," 2016 ed. (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, June 2016).