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Michigan **COMMENTARY**

A PROFILE:

SHELBY P. SOLOMON,
DIRECTOR OF THE MICHIGAN DEPARTMENT
OF MANAGEMENT AND BUDGET

by William R. Knox

By his own admission, many of Shelby Solomon's acquaintances think he has taken leave of his senses. Why else would a young (34), single man propelled along the fast track by a newly minted MBA from Stanford University abandon a position with one of Wall Street's leading financial houses to become budget director for the State of Michigan just when many experts are predicting the imminent return of economic hard times? The answer is first, because his long-time friend and political mentor, Governor James J. Blanchard, personally asked him to take the job; second, because Solomon loves a challenge; and third, because in his heart of hearts, Solomon did not take to life in Manhattan, where, he says, "I had to get my exercise on a treadmill in a health club on the fiftieth floor of a highrise." The lean, bearded Solomon is addicted to sports--running, basketball, football, hockey--each in its season and, were it possible, all in one day.

Born in Detroit and raised in Oak Park, Solomon first worked for the governor-to-be in 1975 when Blanchard was a freshman congressman and Solomon, a senior at Michigan State University, went to Washington as a Lyndon Baines Johnson congressional intern. After graduation in 1976, he became Blanchard's legislative director, then chief of staff, and finally, his administrative assistant. For a year and a half, Solomon directed the legislative strategy that led to federal guarantee of private loans to Chrysler Corporation. During that period, Solomon also played on Blanchard's touch football team, which casually made use of many local ringers. One day, while he and Blanchard were on the dais in a House committee room preparing to hear testimony on the Chrysler legislation, Solomon noticed a vaguely familiar figure in the train of a deputy treasury secretary. It was Robert Bowman, one of the casual players on Blanchard's football team. Solomon crossed the room and found that Bowman was also heavily involved in the Chrysler project for the Treasury Department. The two soon became fast friends.

Solomon returned to Michigan in late 1982 with the newly elected Governor Blanchard as a member of the transition team that selected many of the key people for service in the new administration. Among them was Bowman, whom Solomon persuaded to become state treasurer and who quickly emerged as the chief spokesperson for Blanchard on fiscal policy. (This represented a marked change from the latter years of the previous administration, when the director of the Department of Management and Budget oversaw the governor's fiscal strategy.)

Solomon left the administration in 1984. He enrolled in the master's program at the Stanford University School of Business and, after graduation,

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became manager of strategic planning and business development for American Express in New York City. Even though he and Blanchard had remained in close contact during his time away from Michigan, Solomon admits, "I was completely caught by surprise when the governor called and offered me the job as budget director. . . . I had no idea that [Robert] Naftaly was even leaving." Naftaly, Blanchard's second budget director (following Phillip Jourdan) left to accept a vice presidency with Detroit Edison.

After careful consideration, Solomon took his old friend's offer, and started work in Lansing about one month ago. Not coincidentally, Solomon has named another longtime friend, Kevin Riper, to be his deputy director. The 32-year-old Riper, who has an MBA from Stanford and a BA in economics from Harvard, is a seasoned Washington hand (five years with the Office of Management and Budget) and, like Solomon and Bowman, once played football with Blanchard. "We joke that our underlying goal is to bring the entire team from Washington to Michigan," Solomon says.

But even as he enjoys the bonhomie of the playing fields with his hardworking fellows, Solomon has no illusions about the difficulty of the years ahead. Indeed, he and Riper would face a severe test even in the best of times. The director of the Department of Management and Budget must mediate--Solomon-like--between the competing interests of all 19 state departments and a half-dozen major agencies, keep watch on longstanding and costly programs with powerful constituencies, treat prickly local governments and schools gingerly, and pry every available dollar loose from an increasingly stingy federal government.

Solomon obviously believes that one of his greatest strengths lies in his closeness to the governor and his intimate knowledge of what Blanchard wants done. "You need to have a focal point on budget matters. . . . The governor asked me to take the job because I have worked with him for ten years," Solomon says. "It is important that I play a strong role in coordinating, organizing, and, to some extent, reviewing all state spending policies. At the same time, I think the people who head the departments are best equipped to understand their own problems. I think you have to have a balance between the two. I plan to have a strong operation here at DMB, particularly now that we are facing tight times fiscally. We are going to need a stern hand on state spending policy."

He refuses to be drawn into a debate on the merits of across-the-board spending cuts versus selective reductions. "I don't like doomsday speculation. . . . I will say, however, that in good times we don't give increases across the board, and we should probably judge programs the same way in hard times: on a case-by-case basis."

Solomon may soon have to make such choices, if current economic forecasts hold true. His own department says that Blanchard's veto of $130 million in spending for FY 1987-88 was necessary to balance the budget. The Senate Fiscal Agency believes that revenue will still be $85 million short even if the legislature agrees to delay the income tax rollback until October 1, as recommended by the governor. Public Sector Consultants predicts the shortage will be between $250 million and $300 million, and the University of Michigan's forecasters see a $250 million shortfall in general fund/general purpose and school aid funds.

Moreover, Solomon takes command of the DMB at a particularly rough period in the administration's relationship with the legislature. When the legislature recessed for the summer after passing the FY 1987-88 budget, the leadership in both houses left with the impression that the governor had, through his top lieutenants, approved an increase in spending totaling $118 million. Three weeks later, Blanchard vetoed $130 million from budget bills, angering many legislators, including members of the appropriations committees and particularly House Democrats.

Solomon agrees "very strongly" that the cuts needed to be made and says that most legislators also supported the action. Solomon is not, however, willing to criticize the governor's timing or method. "Those are very different issues, worthy of my attention to be sure, but very different from the merits of the cuts themselves." He also emphasized that he and the governor want smooth relations with the legislature, although both learned from their early days together in Congress that budget matters always bring about tension between administration and legislature.

The governor did not promote good relations recently when he said lawmakers were upset because they were "not allowed to spend like drunken sailors." That comment appeared to widen the breach between the administration and the legislature and led to a closed-door exchange of views with 15 of the 17 Democrats on the House Appropriations Committee. Blanchard brought along Solomon, Bowman, Stan Fedewa (his legislative liaison), and Richard Cole, who had negotiated the original budget but was soon to resign as the governor's chief of staff to accept a newly created position as special advisor on the future of higher education. Blanchard explained that the drunken sailors he had referred to were Senate Republicans and that he and his staff needed to improve communication with the legislature; the discussion gave the Democrats a chance to vent their anger with him in person.

For his part, Solomon does not anticipate difficulties dealing with Republican legislators. After meeting with opposition leaders from both houses, "my sense is that we'll be able to work together. . . . I've always had a good relationship with John Engler. We both have the state's best interests in mind. We may have different ideas on how to accomplish our goals, but I have every indication we'll be able to work together very well."

Not the least of Solomon's problems will arise from the federal government, which, he says, "has walked away from issues of the social service constituency and has done so in the Reagan era under the guise of giving control over these matters to state and local officials." People who have worked in Washington know, he says, that state and local governments "simply do not have the resources to deal with these issues. Local officials are best at implementing, managing, and enforcing programs," but Washington still has the major financial resources to address the kinds of national problems that cross local and state boundaries. "For example, the federal government has walked away from its commitment to help restore the vitality of America's cities, knowing full well that the states lack the resources to pick up the slack."

Solomon says he hopes to improve the flow of federal dollars to Michigan by adopting a piecemeal approach, "pecking away at individual pieces of legislation so that, on the scale of the national budget in Washington, what we receive is a drop in the budget, but on the scale of Michigan's budget, what we get is a lot of money." He will develop a "full-court press" with the state's department directors, Washington office, and congressional delegation to identify programs that can be changed slightly to benefit Michigan. "We won't do this in a flashy way, but just go quietly about affecting the process."

In general, then, it appears that Solomon will have a closer working and personal relationship with the governor than did either of this predecessors, Jourdan and Naftaly. "My career has grown along with the governor's," Solomon says. "I began as an intern with him when he was a freshman congressman, and I learned the political process from him." Moreover, he and Bowman can capitalize on their friendship in the normal give-and-take between the DMB and Treasury on revenue and spending policy. Many think that Solomon may even regain for his department the role of chief fiscal architect and voice of the administration.

According to many observers, Blanchard has accomplished a good deal more by recruiting Solomon than bringing part of his old Washington football team to Michigan; he has also assembled the nucleus of a political machine and has not incidentally ensured the continuity of his taxation-spending policy. Should Bowman decide to run for Congress, Solomon and Riper will be ready to step in, one of them at the DMB and, perhaps, the other at Treasury.

This is one of a continuing series of commentaries profiling state government leaders.

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