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Michigan Job Growth Strategy

Michigan to other states and
China...Game On!

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Background



- Michigan unemployment rate is 9.8% (41st out of 50 states)
- Michigan has 769,800 unemployed workers
- Michigan has 3,930,200 employed workers as of November 2011 (up 59,400 since Nov 10)
- We have lost 11.7% of our citizens between the ages of 25 and 34 over the last decade

Opportunities



- For every 1% drop in unemployment rate, 52,400 workers are paying taxes rather than receiving benefits.
- If our unemployment rate were to drop to 5%, ~\$1.6B* would be added to tax revenue.
 - \$424M in GF/GP
 - \$676M in SAF
 - \$125M in transportation
 - \$ 39M in constitutional revenue sharing
- If we were to gain sufficient population to regain a 15th congressional seat assuming current unemployment rate, ~\$2B* would be added to our tax revenue
 - \$524M in GF/GP
 - \$835M in SAF
 - \$154M in transportation
 - \$ 49M in constitutional revenue sharing

SOURCE: Senate Fiscal Agency. Illustrative of opportunity only. Significant number of assumptions tied to estimates.

First Year Accomplishments

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- Replaced the Job Killing Michigan Business Tax
- Crafted Fair & Equitable Unemployment Insurance Reform
- Paid down Unemployment Trust Fund Debt
- Reformed Workers' Compensation
- Repealed Job Killing Regulations
- Slashed Bureaucratic Red Tape
- Improved Marketing of Michigan with Pure Michigan

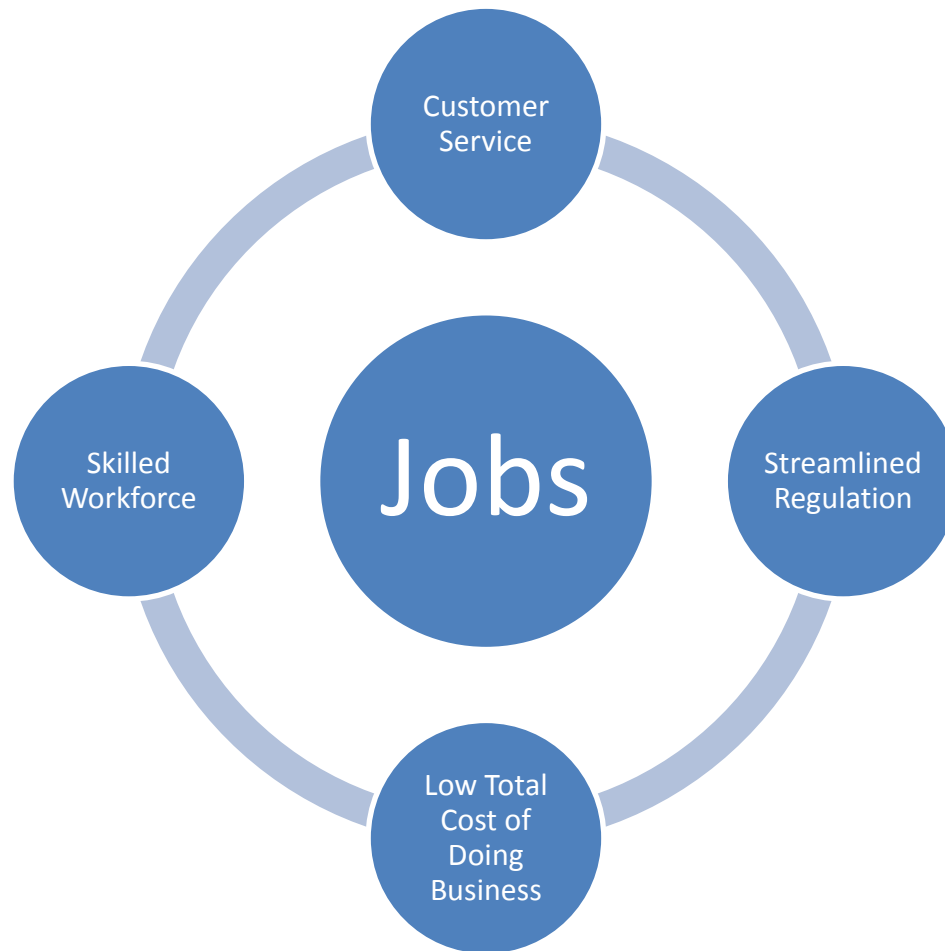
Goals



- Reduce MI unemployment rate from 9.8% to 5%
- Achieve #1 job growth rate of all 50 states
- Find employment for 100% of Michigan veterans returning from service
- Get back to 15 congressional districts before the next census

Keys to MI Jobs Competitiveness

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Points to Ponder



- We only realize a fraction of our revenue opportunities if we SPEND more money to get these jobs
- We need to prioritize projects that achieve a high impact towards achieving our goals with the least amount of state budget impact

Solution Project Portfolio



Rank	Project	State Budget Impact	Customer Service Impact	Regulatory Burden Impact	Total Cost of Doing Business Impact	Skilled Workforce Impact
1	Labor Freedom	\$1M	Medium	High	High	Medium
2	TIMED	\$1M	High	High	High	Low
3	Prevailing Wage	(\$232M)	Low	Medium	High	Low
4	MI Projects & MI Needs	\$10M	High	Medium	Medium	Medium
5	MI Health Care Web Services	\$10M	High	Low	High	Low
6	Veterans Job Portal	\$0M	Medium	Low	Low	Medium
7	Eliminate PPT	\$1400M	Low	Medium	High	Low

Related projects



- Ford/I-275 Interchange
- Northville/Plymouth Advanced Technology Park
- Detroit Steel Company property utilization
- Definition of “Clean”
- Education Reform



PROJECTS

Labor Freedom



Customer Service

- Improves MI business environment “brand”
- Simplified site selection

Streamlined Regulation

- Minimizes operational restrictions due to union work rules

Lower Total Cost of Doing Business

- Reduced operations costs
- Minimizes risk of work stoppage

Skilled Workforce

- Unions will need to focus more on skill development to provide value to rank and file in order to justify dues

- Indiana poised to pass RTW...will siphon further jobs south of the border
- Top 5 job growth states over past decade are in “right to work” states
- Bottom 5 job growth states over past decade are in “non-right to work” states (MI is 50th)
- Per capita personal income in 2/3 of RTW states is higher than non-RTW states
- Currently, 17% of MI workforce is forced to be in a union. Once it passes, 17% of MI workforce will be in a union – *IF* they choose to be in a union

TIMED

Time Is Money Economic Development



Customer Service

- Improves management of development project expectations
- Improves MI business environment "brand"

Streamlined Regulation

- Gets the government off of the critical path for development timelines
- Reduces filings required
- Minimizes timelines for new development projects

Lower Total Cost of Doing Business

- Reduced development costs
- Improved transparency of process minimizes need for costly consultants
- Minimizes risk

Skilled Workforce

- Simplifies learning curve for companies that lack development project experience

- Time literally is money...services bill hourly, assets depreciate, taxes are collected
- Sitting on a multi-million dollar investment that cannot be developed is often more of a drain on business financial resources than taxes
- Property investments are used to generate revenue sooner
- Improved speed allows businesses to better respond to market conditions

Prevailing Wage



Customer Service

- Improves MI business environment “brand”

Streamlined Regulation

- Removes regulatory restrictions on labor rates

Lower Total Cost of Doing Business

- Lowers construction costs

Skilled Workforce

- Minimal impact

- Would lower MI government expenses by \$232M (Source: Mackinac Center)
- Federal construction (e.g. Highways) would still need to comply with Federal Prevailing Wage restrictions

MI Projects & Needs



Customer Service

- Provides 1-Stop Shop for businesses looking to grow or setup shop in MI
- Improves access to talent, property and finances
- Improves MI business environment “brand”

Streamlined Regulation

- Helps to manage expectations pertaining to existing regulations

Lower Total Cost of Doing Business

- Minimizes risk

Skilled Workforce

- Helps current residents understand the skills that are in demand for existing job opportunities

- We need to treat businesses as customers not piggy banks
- Corporations file in Delaware because of simplicity...we need to create an environment in MI where ALL businesses to come to us

Veterans Portal



Customer Service

- Connects job providers with talent
- Improves MI business environment “brand”

Streamlined Regulation

- Simplified VA benefit processing

Lower Total Cost of Doing Business

- No impact

Skilled Workforce

- Connects veterans with services that can improve their skills

- 26% of MI National Guard service personnel currently unemployed

Eliminate PPT



Customer Service

- Simplifies property tax assessments
- Improves MI business environment “brand”

Streamlined Regulation

- Eliminates filings required for PPT
- Reduces administrative burden associated with tracking personal property assets

Lower Total Cost of Doing Business

- Eliminates taxes on personal property (\$1.2B)
- Removes impediment to equipment investments that would lower operating costs

Skilled Workforce

- No impact