


MACKINAC CENTER
FOR PUBLIC POLICY

January 1, 2004

*Note: The letter was accidentally dated Jan. 1, 2004.
It was actually sent on Jan. 1, 2005.*

Ms. Theresa Ramsey
Michigan Economic Development Corporation
300 N. Washington Square
Lansing, MI 48913

Dear Theresa:

Below, please find the questions I'd like to ask Mr. Paquette, or the appropriate MEDC/MEGA official as was referenced in my previous fax.

I would be happy to take the answers by phone or in writing. Also, I will be in the Florida Keys on business January 5 through January 9, but would be willing to call or be called while there to get answers to my questions.

1. Why does revenue foregone on MEGA Credits spreadsheet not conform with Treasury tax expenditure reports?

In several published reports I have seen MEDC job claims with regard to MEGA suggest that, "28,812 total jobs have been created at an actual SBT credit cost of \$75.1 million." After reviewing the MEGA Credits spreadsheet provided to me by your office I cannot confirm the jobs figure. I can, however, confirm SBT credit cost.

2. Can you please explain to me this discrepancy? Is there a collection of jobs for which credits are granted that do not appear on the MEGA Credits spreadsheet for any reason, and why?
3. Is there any formal process MEGA/MEDC goes through to determine whether or not a MEGA deal has failed and is zeroed out on the "All MEGA Projects" (AMP) spreadsheet? I note 16 of these on AMP but the MEGA Credits spreadsheet maintains additional hints of failure, such as notes that read "may not qualify."
4. On the MEGA Credits spreadsheet there are several instances where the words "partial" are inserted in parentheses after a firm name. Can you explain what this means to me?

In an attempt to update my 1999 Viewpoint Commentary on MEGA I was looking at MEGA jobs numbers with regard to Lacks Industries, Inc. With regard to entries in the

MEGA Credit spreadsheet, should I interpret the tax year's to mean that these jobs were created by that tax year, or *through* that tax year. For instance

5. Did Lacks create 256 average qualified new jobs *by* 1999 or *through* 1999?
6. Why are companies such as A.O. Smith and Tower Automotive (now Tower Plymouth) listed together on the MEGA Credits spreadsheet, but listed separately on the AMP spreadsheet?
7. Is there a document documents in existence that tracks the number of MEGA companies that at one time received MEGA Credits but now no longer qualify? I am aware specifically of K-mart but am wondering if your staff keeps a list or combination of documents that might identify such companies. I'm happy to FOIA it if you like.
8. Are Behr Industries and Behr America related in some fashion? Is one a subsidiary of the other?
9. Is the MEGA program officially housed within the MEDC? How would you describe the relationship?
10. According to MEDC documents provided to me in the past, Hi-Lex and Moldmasters were to receive state assistance with regard to Industrial Revenue Bonds sales. Did that ever occur, and what was the economic value?

Thanks for your time on these questions. I do appreciate your efforts.

Sincerely,

A handwritten signature in cursive script that reads "Michael LaFaive".

Michael LaFaive
Director of Fiscal Policy