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## Mackinac Center: Why Michigan should lay off on extending its jobs fund

By **James Hohman** and **Eric S. Mosher**  
*Detroit Free Press guest writers*

State lawmakers are considering an extension of Michigan's 21st Century Jobs Fund program, and that would be unfortunate. At the very least, this and other "legacy" corporate welfare programs must provide much greater transparency.

Taxpayers should be able to see what they've gotten for the special benefits previously authorized for particular corporations and developers, which will continue to flow for a number of years.

Specifically, the Michigan Economic Development Corp. must be required to regularly report how much is being handed out by these programs and to whom — not just the amounts initially authorized. The information should be provided at the individual project and agreement level.

While the state produces an annual tax expenditures report listing the types and forgone revenue of individual and business credits and exemptions and deductions in the state tax code, it is completely inadequate for assessing economic development expenditures on their own terms, because these are inherently selective and targeted to particular companies, while excluding others. Its outcomes can't be judged without disclosing information about the particular beneficiaries and projects.

Most new state economic development benefit offers are channeled through programs that are more open. The state's new flagship in this area, the Michigan Business Development Program, discloses basic information about the number of jobs at subsidized projects and the cost to taxpayers. If you know where to look, it's possible to find the number of jobs that companies commit to creating and how many they say they have created (almost always less, so far).

The older programs are another story. The MEDC has been good at announcing the job promises in each new incentive agreement with particular corporations and developers. Where it falls short is revealing what happens next.

This information is crucial because MEDC projects have so rarely met their promises. A study of the previous "flagship" program found that, between 1995 and 2004, only 29% of promised new jobs ever materialized. And, as state auditor general reports found, companies' claims were not sufficiently verified, and these deals sometimes cost taxpayers more than

initially advertised. Yet it is still impossible to identify which projects fell short.

Moreover, projects can receive multiple perks from different state, federal and local agencies. There-

fore, to the greatest extent possible, Michigan should develop a consolidated report and searchable database that shows all the economic development incentive offers made to particular firms under old and new programs. This should include the investment and job expectations and milestones for each project, plus how much companies actually collect; how much investment actually occurs, and how many jobs materialize. If a project is canceled or otherwise never happens, this should be noted, along with whether the company paid back its subsidies. The disclosures should contain explanations and footnotes sufficient to provide context and paint an honest picture of a given project.

One model of a more comprehensive database comes from the federal disclosure site for the American Recovery and Reinvestment Act funds, better known as the stimulus program, [www.recovery.gov](http://www.recovery.gov). Entering the name of any project brings up quarterly reports on its activities, including how much it has received and how many people it employs.

Such details have assumed a level of importance here because legislators are eagerly discussing how to spend an anticipated state budget surplus. However, the surplus is dependent upon timing decisions by a handful of companies that may be eligible for tax breaks and/or subsidies under those legacy programs. In other words, it could be a phantom surplus, the nature of which should be disclosed to taxpayers before legislators start spending it in supplemental appropriations bills.

As policymakers continue to create new economic development programs, legislators need to insist on some basic transparency principles. That's just common sense.

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