



Reform The Michigan Economic Development Corporation

One Reform In A Series From Rick Snyder's Top 10 Guiding Principles For Reinventing Michigan:

#1—Create More and Better Jobs

&

#3 - Fix Michigan's Broken Government

Paid for by the Rick Snyder for Michigan Committee
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REINVENTING MICHIGAN: RICK'S TOP TEN

<http://www.rickformichigan.com/vision-plan/10-point-plan>

Rick's Top 10 principles to reinventing Michigan serve as the foundation for his vision and long-term plan in leading Michigan beyond today's challenges, and into an era of innovation.

1. Create More and Better Jobs Rick believes that Michigan needs to cultivate a thriving and globally competitive economy with a diverse business base, enabling job growth and prosperity. His entrepreneurial experience, management over the growth of Gateway and leadership in economic development programs, such as Ann Arbor SPARK and the MEDC, make him uniquely qualified and positioned to lead this state in creating more and better jobs.

2. Reform Michigan's Tax System Rick believes that we need to reduce the tax burden on families and businesses in Michigan. Rather than advocate for short-term solutions – Rick wants to reform Michigan's tax system so that it facilitates economic growth by being simple, fair, competitive and efficient.

3. Fix Michigan's Broken Government It's time we reinvent state government so that it runs efficiently and serves its citizens as customers. Rick wants to restore ethics, accountability and transparency to state and local government. Rick believes we need a new approach to governing that is not politically motivated, but solution oriented. Rick wants to replace an antiquated bureaucracy with a government that gives taxpayers results for their tax dollars.

4. Create An Environment That Will Keep Our Youth – Our Future – In Michigan Rick believes that we need to create opportunities, networks, programs, and environments across Michigan that will cause our young people to want to stay in this state. His experience as an entrepreneur and mentor has given him an understanding of how Michigan can retain and attract young talent.

5. Restore Cities and Control Urban Sprawl In order for Michigan to truly reinvent itself, its cities and communities must become more vibrant. Rick will work to improve the state's city centers and create attractive living and working environments for its citizens. Rick believes infrastructure and transportation funding must be prioritized and also supports the establishment of a proper mass transit backbone in the state.

6. Enhance Michigan's National and International Image Rick believes Michigan can become a global comeback story. He believes the state must encourage and support tourism, create a culture of entrepreneurship, invest in the arts, and protect and improve the quality of life for its citizens.

7. Protect Michigan's Environment As a native Michigander, Rick knows that Michigan's awe inspiring lakes, landscapes and natural resources are some of its most valuable assets. Rick has served on the Nature Conservancy and believes that protecting the environment and growing the economy can be done simultaneously. Michigan needs to be a leader in the innovative movement towards alternative and cleaner energy.

8. Reform Michigan's Educational System Rick believes that a child's progress from pre-kindergarten through college and advanced degrees is the cycle on which the state's efforts should be focused and coordinated. Rick believes that schools, teachers and parents must renew their commitment to ensuring that each child is given the best possible preparation and education for life which is critical for future generations to be competitive and innovative.

9. Reform Michigan's Health Care System Every citizen should have access to affordable and quality healthcare. Rick strongly believes in prevention, wellness and personal responsibility. He wants to move Michigan to a more patient-centered model to achieve large cost savings, promote wellness, and improve service quality.

10. Bring "Winning" Back To Michigan Rick believes that it is time for this state to create a hopeful, positive culture and attitude where personal responsibility and collective determination introduce us to a new era. Rick also believes in the importance of embracing our racial, social and geographic diversity to reach common goals for the state.

Reform The Michigan Economic Development Corporation



"As Governor, I will reform the state's economic development efforts as I create a better environment for businesses to succeed and flourish in our state. I will ensure the MEDC is transparent and accountable for how tax dollars are spent and ensure that businesses and entrepreneurs are getting the support they deserve."

- Rick Snyder

Introduction

Michiganders Deserve An Economic Development Organization That Delivers Real Results In A Measurable Way – One That Supports The Growth And Creation Of Michigan Businesses

With the state's economy at one of the lowest points in history, Michigan needs to revive and refocus its economic development program on long-term growth in Michigan. Over the past few years, the current administration has used expensive ad campaigns and billions of dollars in "incentives" in an attempt to turn the economy around – with virtually no accountability.

With a million jobs disappearing this decade, Michigan's economic troubles can't be solved through television ads or taxpayer funded credits. Lansing's politicians need to get out of the business picking winners and losers through the use of false incentives. Instead, they should create an environment where the tax burden is low, the regulatory environment is reasonable, and businesses have access to the support and resources that will help them create jobs in Michigan.

A state economic development organization like the Michigan Economic Development Corporation (MEDC) holds the potential to be a job creator in Michigan. It should be a partnership between the public and private sector that focuses on growing a business-friendly environment. Through the MEDC, state resources should be allocated to assist startup businesses, grow existing businesses, and attract new businesses. None of these three areas should be ignored.

As tax dollars are spent on economic development, there need to be real measurements and transparency in place to ensure that citizens get exactly what they pay for and that money isn't being wasted.

A successful economic development program leverages a business-friendly climate, a strong pool of talent, and the state's assets to accelerate the growth of a diverse business base. It should build strong partnerships with regional and local business accelerators, incubators, universities and the private sector, and create a statewide talent enhancement network to match innovators with entrepreneurs and employers.

Background

The MEDC was formed in 1999 by Governor Engler as an alliance between the State of Michigan and several local communities. Governor Engler appointed Rick Snyder to be the first MEDC Chair and Rick quickly put in place a strong business model that became one of the nation's leading public-private economic development programs. From 1997 to 2003, Michigan won the prestigious Governor's Cup award from *Site Selection Magazine* five times. This award is presented to the state with the highest number of new or expanded facilities in the magazine's database.

Under Rick's leadership, in 1999 the Michigan Life Sciences Corridor was launched with a \$ 1 billion commitment that led to rapid university technology commercialization and the successful launch of several life sciences companies.¹

During Rick's tenure as chair, the MEDC initiated legislative efforts for development of tax capture through Smart Zones to support technology start-ups. These programs contributed to the formation of new companies across the state.

After leaving the MEDC, Rick Snyder focused his economic development efforts at the local level, bringing the universities, public sector and private sector together to create Ann Arbor SPARK, one of the nation's leading public and private partnerships focused on economic development.

As Ann Arbor SPARK's Chair through 2009, Rick helped the organization apply innovative practices and new programs to support growth and nurture startups all across the region. While Ann Arbor SPARK's reach and impact is quickly spreading across the state, the MEDC since Rick's departure has become mismanaged and politicized by Lansing politicians. In fact, in 2008, Michigan dropped from the high ranking under Rick's leadership to low ranking in the *Site Selection* rankings – 16th, closely followed by Mississippi.²

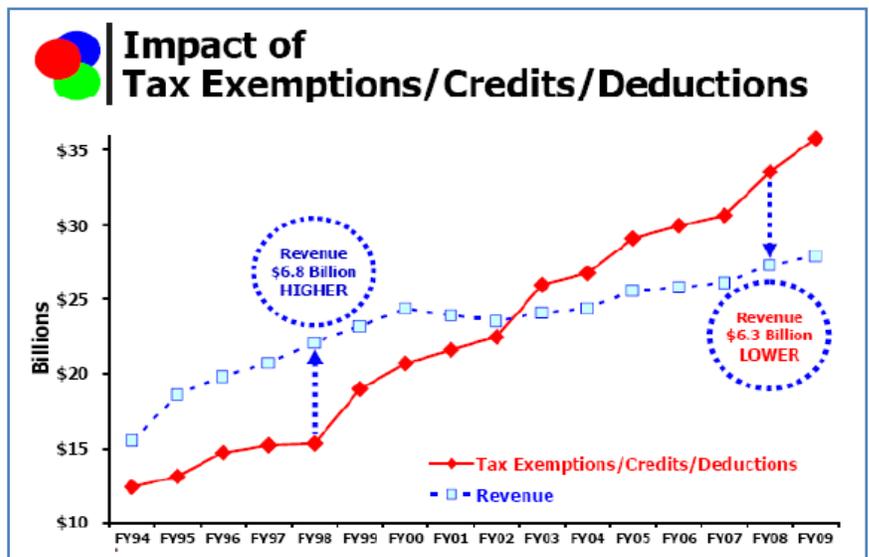
After Rick's Departure, Lansing Politicians Created A Horrible Business Climate And Used The MEDC As A Political Tool

Instead of supporting the growth of our local companies and fixing a broken tax and regulatory system, Governor Granholm and Lansing politicians have created one of the worst business climates in the country and have lost sight of real economic development.

Under the current administration's myopic view, the "quick-fix" approach to economic development has created challenges across the board. Hundreds of millions of dollars have gone out to larger companies in the form of incentives and tax credits that wouldn't be necessary if the tax and regulatory climate were more competitive. With no transparent way of tracking whether the jobs promised are actually created and maintained, the current administration's approach is more about getting headlines than about real investment in job growth.

The desire to grab headlines by announcing new programs every year is stronger than the maturity of Lansing politicians to allow programs to consistently deliver results. Economic development programs that deliver results require a 10-year or longer action plan and a mindset that extends beyond the typical 4-year "term-limited thinking."

As the unemployment rate has risen, the use of incentives and tax credits to attract companies has gone up. While exemptions, credits and deductions have been around for decades, the level of revenue foregone through them over the past few years has surpassed the level of revenue collected by the state. Figure 1 illustrates the financially irresponsible gap from this past fiscal year, where revenues were \$6.3 billion lower than the over \$30 billion given out in the form of tax exemptions, credits and deductions.



¹ Life Sciences in Michigan [Brochure](#)

² Top State Business Climate Rankings, Site Selection Magazine, November [2008](#)

Today's Michigan Economic Development Corporation lacks transparency and accountability. A recent study by the Anderson Economic Group points out that there is no easily accessible, publicly-available inventory of the MEDC's business tax incentive programs and there is little to no auditing or verification of whether the recipients of grants or credits are actually creating the jobs they've promised.

- For example, there was a time when one of the MEDC's incentive programs, Michigan Economic Growth Authority (MEGA), gave a detailed annual report to the Legislature. That report, which is required by state law, has under the current administration gone from over 19 pages to nothing more than a two-page spreadsheet. In 2001, after Rick's departure, the current administration completely discontinued another report that once detailed the other incentives MEGA recipients were collecting.³

Tax credits also vary in their return on investment. The MEGA tax credit is estimated to cost the state about \$5,000 for every new job created per year. The Film Credit, on the other hand, provides movie producers a 42% tax credit for filming in Michigan and is estimated to cost the state over \$50,000 per new job, per year.⁴ The Michigan Senate Fiscal Agency also recently reported that if a film production company spent \$10 million in Michigan, the state pays \$4 million and gains less than \$700,000 in income and sales tax revenues from the investment.⁵

The Remedy

Michigan's Economic Development Corporation will be a vital instrument in transitioning Michigan's economy to an era of innovation. But like much of state government, the MEDC needs to restructure and refocus for the mission at hand – and it needs to be held accountable.

Restructure The MEDC

Business Leaders, Entrepreneurs And Experienced Economic Developers Should Lead The State's Economic Development Efforts

Business leaders understand that economic development requires a good business climate, a strong pool of talent, and a reasonable expectation for success. Currently, the MEDC's leadership team is made up of economic development professionals, big business leaders and representatives from the education community. It is sorely lacking the representation of the small business community in Michigan. They need to be included in the board in order to represent a diverse business base of small and large business - existing and emerging industries to best market the state's opportunities.

The MEDC's full-time staff should be led by an executive team of business professionals, not political appointees, who understand exactly what services businesses need. The MEDC, which has seen three CEO's in the past 8 years, is unable to retain talented management teams due to lack of leadership, resources and a "quick-fix" approach.

It has also evolved into a bureaucracy. The amount of staff at the state level should be decreased and the MEDC should lean heavily on regional partners so that these partners can focus on providing the services at a local level.

Create A Seamless Network of Regional Economic Development Partners

Michigan's economy is going through a transformation that will create permanent changes in its economic landscape – if Michigan 1.0 was the era of natural resources with the lumber, mining and fur trades; and Michigan 2.0 was the industrial era that saw the emergence of automotive capital of the world; Michigan 3.0 will rely heavily on innovation and entrepreneurship.

³ Michael LaFaive, "MEDC Should Become Transparent Or Disappear," Mackinac Center for Public Policy, [September 7, 2009](#)

⁴ "Michigan's Business Tax Incentives," Anderson Economic Group, May 2009

⁵ Editorial, "The Michigan Example," Wall Street Journal, [September 4, 2009](#)

Supporting growth of new technology companies requires a sustained long-term effort that combines capital and talent. Michigan's universities conduct over \$1.5 billion in research each year but the State has moved away from supporting commercialization programs that would benefit the community and create high paying jobs.

Communities throughout the state have created economic development organizations to market the talent and opportunities in their region. In addition to Ann Arbor SPARK, there are countless other local and regional organizations facilitating growth their region, like Keweenaw Economic Development Alliance, Lakeshore Advantage, Southwest Michigan First, TechTown, The Right Place and others.

Economic development in Michigan should take a page from the playbook of the ever-evolving software industry. Its "open source" philosophy –allowing anyone to use the source code that drives development– is a model that can propel Michigan's success in growing, retaining, and attracting business. Every program the MEDC creates and implements should be shared in a transparent way so that best practices can be adopted across the state and benchmarks can be adopted statewide.

Partnering with these regional organizations will eliminate costly duplicative efforts and tap into regional expertise that will make the MEDC's efforts more effective and allow the MEDC to become a leaner organization.

The statewide university system should serve as key partners to the MEDC and all regional economic development organizations. Universities should collaborate with MEDC to enhance or develop entrepreneurial education programs, provide access to talent and engage alumni to assist with business development efforts, among other things. While university officials are involved with the MEDC at the leadership level, there must be a concerted effort to increase coordination at the staff and programmatic level.

The private sector must serve as the leadership of the MEDC. The Executive Board needs to include a combination of established business executives, startup entrepreneurs, and university executives.

Additionally, the private sector should feel engaged in the goals and mission of the MEDC. Prior to the launch of new programs or services, the MEDC should seek feedback directly from job creators across the state and openly discuss the measurements that will provide accountability to new initiatives.

Refocus The MEDC

The MEDC should be organized to provide great customer service in five core tasks that are absolutely critical to attracting and retaining top innovators, investment and talent.

1. Business Retention and Attraction

The MEDC's retention and attraction efforts should be a multi-faceted approach to preserving and enhancing Michigan's business environment. Current and potential investors should have access to an innovative statewide network of regional partners that can assist with answering zoning and permitting questions, clarify tax issues, and identify entrepreneurial mentorship opportunities. Staff members should maintain a pro-business attitude and assist existing and potential businesses by addressing concerns, answering questions and identifying solutions.

Retention and attraction outreach should be conducted on a constant basis to support and nurture the growth of Michigan jobs by creating a business friendly attitude. The MEDC should assist existing businesses in such activities as: solving inter-agency issues, fast track permitting, facility and site location, business critical introductions, talent enhancement and resource coordination with Federal, State and local programs.

2. Business Acceleration And Startup Support

The MEDC should implement a statewide program and targeted website, startup.mi.gov, to speed up the development of startups by coordinating access to resources, essential services, and business development guidance designed to shorten the time required to attract capital, customers, and other resources. Regional incubators and accelerators will provide aspiring entrepreneurs access to training, assistance with developing new marketing opportunities, and valuable lessons learned.

Technology transfer is one of the best ways for Michigan to create the innovative companies that will transform and diversify the state's economy. Our Universities attract the best scientific talent from the world and invest over \$1.5 billion each year leading to innovative ideas. A cohesive strategy to unlock this potential will allow for Michigan to rise from the current economic morass. The business acceleration services should work more closely with Michigan's research universities and business engagement centers to facilitate technology transfers from the research lab to the business world. This will allow the state to identify emerging talent and innovation and support it appropriately.

Entrepreneurial training is a key element of business acceleration. As the auto industry has been forced to lay off thousands of talented engineers across the state, the state should coordinate training programs to prepare them to enter the entrepreneurial and startup world.

3. Talent Enhancement

Michigan currently has a tremendous amount of talent that leaves the state because of a lack of opportunities. Michiganders need jobs and MEDC's current configuration does not enable it to match applicants with positions in an efficient manner. In fact, the MiWorks Talent Bank has over 1 million resumes for fewer than 19,000 positions.⁶

Businesses need an effective talent recruitment function that will assist them in locating talented employees and a clearing house function to connect innovators with entrepreneurs and the appropriate business and management talent. This can be achieved through public and private partnerships with regional economic development organizations like Ann Arbor SPARK or Southwest Michigan First. The configuration should also identify mentorship and internship opportunities to directly link our youth to career opportunities and professional development that can be pursued without leaving Michigan.

4. Enhanced Financial Infrastructure To Support Entrepreneurs

The MEDC should create additional programs to assist entrepreneurs and 2nd stage companies in obtaining the initial funding necessary to grow their business. The MEDC's role would be to coordinate and manage government grant application programs, pre-seed and seed funds, and micro loans, and serve as a clearinghouse to link private sector lenders and capital providers with entrepreneurs.

5. Benchmarking For Continuous Improvement Of Policies And Services

The MEDC should assume the role of a service provider to the state for business development activities and strive to excel in every aspect of its service to businesses and the citizens of Michigan. Continuous improvement of best practices like one-stop project interfacing with government, an improved tax and regulatory environment, and increased access to business accelerator and incubation services will make it easier for businesses to successfully create jobs in Michigan. The MEDC will be charged with continually monitoring the state's business environment and looking for ways to improve upon current practices and benchmarks.

⁶ MiWorks.org, 4 DEC 09

Bring Transparency, Accountability and Clear Objectives To The Incentive System

The use of incentives must decrease as Michigan improves its overall business climate. Every state in the country uses incentives in order to attract emerging industries, but Michigan must ensure that tax dollars are being spent wisely and are producing real results. Rather than spending more on incentives, credits and deductions that benefit certain industries, Lansing should lower the tax burden on all industries.

Incentives should include performance objectives, reportable results and be transparent to citizens.

Tax incentives should be used sparingly and tied to performance metrics that are clearly defined, measurable and reportable to the MEDC. Incentives should be measured against the actual number of targeted jobs created to make the data more reliable and less subjective.

Performance measurements should be audited and the results clearly illustrated on the state's website for public review so that citizens can see exactly where their tax dollars are going. Incentive programs that do not add value to economic development or aren't worth the cost should be discontinued.

Conclusion

The Michigan Economic Development Corporation (MEDC) has the potential to re-assert its position as the national leader developing innovative programs and policies, but it needs to be refocused and restructured. With the right leadership and resources, the business community in Michigan could benefit from its programs, leading to economic growth.

The fundamental philosophical shift from "quick-fix" to a cultivating an environment that facilitates growth and sustaining that for the long-term is essential for Michigan's success. Rick Snyder is the only candidate with the business and entrepreneurial experience who understands how to create the environment that will allow small and large Michigan businesses to thrive and flourish.

As Governor, Rick will not only turn around Michigan's business climate, but he'll put in place the right vision, plan and team to get Michigan's economic development effort going again at the MEDC. He'll bring accountability to the incentive system and ensure that citizens are getting real results.

With the right business climate, the MEDC has the potential to support the next generation's entrepreneur – another Henry Ford, W.K. Kellogg, Herbert Henry Dow or William Erastus Upjohn. With the right leadership in Lansing, Michigan can move into the era of innovation and return to its position as a top tier state.