

— LEGISLATIVE —
TESTIMONY

December 2, 2025

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**Testimony in opposition
to Senate Bills 472
and 473**

Senate Regulatory Affairs Committee

Economic development programs ought to be judged by whether they develop the state economy more than alternative uses of state resources. The program created by these bills is unlikely to meet that standard.

However, I wanted to focus on one feature of the bill that ought to cause increased concern to lawmakers. One of the applications of the proposal is to cover already existing employment rather than for job creation.

The payments for job maintenance rather than job creation were the largest reason why the Michigan Economic Growth Authority moved from being a program that cost tens of millions of dollars a year to one that costs hundreds of millions of dollars a year. Companies often fail to create jobs under deals limiting the expense, but the state tends to have to pay when deals cover already existing jobs.

Yes, company officials have to assert that they would eliminate jobs without being covered by the program. However, unless applicants are denied a deal, such claims cannot be tested or trusted. Similar requirements in the MEGA program also had such assertions, and the state went through with deals even when it was clear that company officials had already made their decisions without authorized credits. Plus, the off-hand denials resulted in companies who were ready to claim that they would not expand in Michigan without assistance expanded in Michigan without assistance.

This issue is also why the cost-benefit assessments required by the bills are problematic. They will always show that deals result in positive benefits unless the input assumptions reflect realistic comparisons. That means weighing against alternative uses of taxpayer cash and modeling against alternatives where taxpayer cash is not determinative of company decisions.

Lawmakers ought to have standards for determining whether economic development programs are effective. The programs ought to be expected to have a meaningful impact on the state's economic outcomes. I do not expect this proposal to meet this standard.

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