

Why Does Michigan need a “Turnaround Plan”?

Two generations ago, Michigan was a Top Ten state for job and economic growth. For the past generation, we have lagged the nation. Michigan is becoming economically poorer, smaller and less competitive. In order to stop this trend, Business Leaders for Michigan has proposed the Michigan Turnaround Plan to get our state back to being a “Top Ten” economic leader again. Business Leaders for Michigan believes incremental changes to the state’s budget, tax and economic policies will be insufficient to grow the state’s economy. Only a holistic, transformative strategy will do the job.

What is the Michigan Turnaround Plan?

The Michigan Turnaround Plan is a comprehensive strategy to transform Michigan’s economy. It lays out the case for change, sets achievable goals, identifies specific action steps and explains the impact of change. Business Leaders for Michigan is committed to developing, advocating and supporting strategies that strengthen and promote the state’s economic competitiveness and accelerate the creation of good jobs. The plan will position Michigan for long-term, sustainable economic growth through five strategies:

1. Changing the way the state manages its finances: For the past three fiscal years, Michigan has over-projected revenues, in part due to the lack of sufficient input from a broad spectrum of economic advisors, resulting in chronic budget crises. Fiscal discipline could be enhanced through forming an independent forecasting council, adopting two-year budgets and long-term financial planning and prohibiting new programs unless revenues grow or others of like size are eliminated.

2. Right-sizing and enacting structural budget reforms: Budget right-sizing is needed in the short-term and structural reforms in the long-term to achieve sustainable finances. Budget right-sizing should address public employee compensation and benefits, while long-term structural reforms should include corrections spending reductions, local government and school district service sharing and elimination of optional federal services or duplicative state programs.

3. Getting Michigan competitive to attract and retain jobs: This would include developing a competitive business tax structure that reflects Michigan’s changing economy, providing a more predictable and stable tax environment for businesses and ensuring tax changes don’t make the state’s structural deficit worse. The short-term goal is to significantly reduce the tax burden of the MBT, while making Michigan a “top ten” state for lowest business costs in the long-run.

4. Making investments that create a great job environment: Michigan must set priorities and invest its budget resources in areas that will have the greatest long-term economic impact, such as infrastructure, higher education and urban development.

5. Accelerating job growth through innovation and entrepreneurship: Michigan could benefit from shifting its economic development strategy toward supporting innovation and entrepreneurship across all sectors; increasing entrepreneurial education; and creating a university-business partnership focused on attracting business, growing sectors and retaining talent.

Important Facts To Know:

- Michigan businesses pay on average 3-4% more of their profits in taxes than the average of the “ten best” business tax and many peer states
- Michigan lost more private sector jobs since the year 2000 than any other state with nearly 50% of U.S. job losses since 2000 being in Michigan
- If Michigan were a “Top Ten” state in 2007 the following would be true:
 - The per capita income of Michigan residents would be \$41,203 which is \$6,780 more per person than the actual 2007 per capita income of \$34,423
 - The unemployment rate would be 3.4% and there would be 186,447 fewer unemployed people compared to the actual 2007 unemployment rate of 7.1%.