

# Making Michigan Strong Again

## Creating Jobs by Investing in What Makes Michigan Special

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Michigan's long-term economic prosperity won't be enabled simply by cutting taxes, having a business-friendly economic climate, and a reduced government. Rather reforms to government services to make them work smarter and better need to contribute to and/or be coupled with investments in unique Michigan assets that enable economic growth for the long-term.

There is strong empirical basis, from examining the economic success of states and metropolitan communities around the country, that strategic public investment in key asset areas is imperative to support job and per capita income growth, and to create the conditions that make a state an attractive place to live, work and operate a business—and particularly to keep and attract today's educated "talent". These assets include:

- Education/human capital building
- Innovation, particularly associated with research universities
- Natural amenities: outdoors, woods, water, parks
- Infrastructure: roads, rail, transit, cyber, air
- Cities: place-making assets and amenities

We are all familiar with the impact on Michigan of the Great Recession and the long-term, and recent 10-year structural transformation of Michigan's auto and manufacturing industry. Over the past 10 years:

- Michigan per capita income has slipped from 18<sup>th</sup> in the country to 37<sup>th</sup> in the country.
- Per capita income in Michigan now stands equal to our relative national education attainment ranking (34<sup>th</sup> in the country).
- Employment has dropped from 4.68 to 3.88 million people, or Michigan has lost nearly one of 6 jobs it had in 2000. One-third of those losses occurred in 2008-9;

Meanwhile, Michigan budgets have been continually cut under the stress of the continuously deteriorating economic and budget climate. Over the past decade:

- State general fund revenues have dropped from \$9.8 billion in 2000, to \$6.9 in FY 2010
- Due to declines in tax rates during this period, state revenues as a share of personal income has also dropped from 9.55% to 6.93% -- a decline of 27.4%

These declines, along with misplaced fiscal priorities *within* state budget (corrections spending outstrips higher education), have eviscerated many unique Michigan assets—undermining our long-run competitive position. During the last decade:

- State revenue sharing to cities and towns has been slashed -- dropping 32.7% from \$1.47 to \$.99 billion 2000-10
- Early childhood education funding has been reduced 32%
- Higher education: Michigan is 49 of 50 states in overall funding for higher education (increase/decrease) over past 12 years. University appropriations have fallen 13.5 percent over 10 years '00-'10 from \$1.78 to \$1.54 billion, and over last 5 years Michigan is last in the nation in relative contribution to higher education with a 5.1% decrease in funding
- Parks system: Capital expenditure on Michigan parks has plummeted from meeting 50% of annual needs maintenance needs in 2001, to only 3% in 2010;
- Infrastructure/Cleanup – Dept. of Environmental Quality spending has dropped from \$97 million to \$27 million 2000-10
- Roads- Annual transportation revenue dropped 1.6 percent over ten years while a growing percent -- now 29% of federally funded roads in Michigan. are in poor condition

### **The Solution: A New Winning Economic Agenda**

Crafted to resonate with Michigan citizens and reinforce action by public leaders. Michigan, and Michigan Democrats, need to articulate and promote a new economic narrative to ensure Michigan re-invests in its economic assets. Assets that are the key to long-term economic growth, and new jobs. Consistent with President Obama's call to "out-build, out-educate, and out innovate" the world to reboot US competitiveness. Michigan must promote the following goals and investments as essential building blocks if Michigan to grow jobs and incomes once again:

- Become the best educated state: 8 of 10 most prosperous states are the best educated. Invest more in early childhood, K-12 and higher education;
- Fuel new innovation and job creation: by investing more, not less in research and development and our universities, colleges, small businesses and entrepreneurs;
- Make Michigan the place people want to live, locate, run a business: by investing in good schools, good parks, transportation, transit, libraries, arts and culture—with a special opportunity to leverage our great outdoors -- the Great Lakes, our water, woods, riverfronts and parks.

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