

Michigan House of Representatives

New Economy and Quality of Life House Committee

April 28, 2010

Testimony by Dennis West, President

Northern Initiatives, Marquette Michigan

Representative Clemente and Committee Members it is good to be with you again. My name is Dennis West and I am here representing Northern Initiatives an eighteen year old non-profit Community Development Financial Institution that is based in the UP and serves 44 rural Michigan counties.

NI focuses on building entrepreneurial communities and growing entrepreneurs. We accomplish this by providing loans to small businesses, offering technical assistance and coaching to our borrowers designed to create systems that strengthen their ability to manage to profitability, and we develop Regional Strategies which allow communities to build local economies by leveraging their natural and cultural tourism assets and their local food systems. We have provided 530 loans totaling \$29 million and engaged other 30 communities in Regional Strategies.

First let me say how important it is to have a partner in the State of Michigan, particularly through the work of the MEDC. The MEDC has helped to support collaboration efforts in the region; it has been a partner in forging effective partnerships with our Universities, communities and private businesses. The funding of the SBTDC program has created an extensive network of counselors aiding people to consider and start small businesses. The support for the Michigan Manufacturing Technology Centers has meant the ability to bring the tools and techniques to rural manufacturers to compete globally. Finally Northern Initiatives work in creating a nature and cultural tourism brand for the UP, the Great Waters, has benefitted through partnerships with the MEDC's Pure Michigan campaign. The campaign allowed small communities to leverage their local dollars to buy into a significantly larger campaign. The table below shows the remarkable jumps in inquiries for communities that have partnered with the MEDC through the Pure Michigan campaign.

Aug 2008 site wide Clicks*		Aug 2009 Partnership clicks**--just from the partnership	
Munising CVB	187	1,258	626% increase in clicks
Newberry	160	1,000	525 % increase in clicks
Les Cheneaux	212	759	258% increase in clicks
Paradise	46	754	1539% increase in clicks
Manistique Tourism	164	625	281% increase in clicks
St. Ignace	557	595	7% increase in clicks
Manistique Lakes (Curtis)	49	351	616% increase in clicks

Note: Clicks take the visitor from a link on the partnership landing page directly to the community partner's website.

In addition the MEDC has shown the flexibility to initiate new efforts that have responded to our severe economic challenges. Over the past eighteen months, the Keep Michigan Working initiative has been a lifeline to many manufacturers to improve systems, search for new markets or explore a diversification strategy. In addition, the MEDC responded to the challenges of the credit crisis in the creation of a Capital Diversification Program. Both were timely and important responses to the challenges that our manufacturers are facing.

While I have shared with you the positive dimensions of this partnership the challenges that face rural Michigan are stark. Of the 46 counties that we regularly track in the Northern Michigan only 6 have a lower or equal to, jobless rate in the face of Michigan's with 30% of the counties exceeding 20% jobless rates in March.

MICHIGAN • LOWER PENINSULA							
County Name	Population	Median	% of State	Unemployment	Poverty	Children	Percentage

	Estimates 2008 US Census	Household Income 2007 US Census	Median Household Income 2007 US Census	Rate March, 2010 US 9.7%	Rate 2007 US Census	in Poverty 2005 US Census	Bachelor's Degrees; Adults over 25 2007 Census
Michigan Total	10,003,422 Red= decline between 2000 and 2008 Estimate	\$47,931	RED=<80% Blue =80 to 90% Black = 90 to 100% Green => 100%	March, 2010 14.1% MI-DLEG Red= higher than the Michigan Unemployment Rate	13.9% Red = higher than the Michigan Poverty Rate	18.3% Red = higher than the Michigan Poverty Rate	21.8% Red <21.8%
Alcona	11,556	\$34,121	71.2%	23.8%	13.5%	27.2%	10.9%
Alpena	29,520	\$37,508	78.3%	16.5%	15.5%	20.3%	13.2%
Antrim	24,109	\$43,099	89.9%	19.5%	12%	16.9%	19.4%
Arenac	16,361	\$36,770	76.7%	21.2%	17.3%	26.3%	9.1%
Benzie	17,396	\$41,198	86%	18.9%	9.7%	13.4%	20%
Charlevoix	25,936	\$48,829	102%	18.9%	9.7%	16.4%	19.8%
Cheboygan	26,354	\$38,335	79.9%	22.9%	14.9%	23.1%	13.9%
Clare	30,312	\$33,639	70.2%	19.7%	20.1%	29.5%	8.8%
Crawford	14,463	\$35,979	75.1%	15.8%	14.7%	26.1%	12.9%
Emmet	33,535	\$47,321	98.7%	20%	9.4%	12.7%	26.2%
Gladwin	25,920	\$35,152	73.3%	20.6%	17.6%	29.6%	9.2%
Grand Traverse	86,071	\$47,747	99.6%	15.3%	8.8%	11.1%	26.1%
Iosco	25,932	\$35,724	74.5%	22.9%	15.7%	27.2%	11.3%
Isabella	66,778	\$39,261	81.9%	10.7%	23.9%	17.6%	23.9%
Kalkaska	17,066	\$39,739	82.9%	17.8%	14%	22.6%	9.7%
Lake	11,014	\$31,195	65.1%	19.5%	20.3%	38.5%	7.8%
Leelanau	21,783	\$55,292	115.3%	13.7%	7.5%	11%	31.4%
Manistee	24,640	\$38,989	81.3%	16.0%	14.1%	18.8%	14.2%
Mason	28,782	\$38,341	79.9%	16.8%	15.1%	18.7%	15.9%
Mecosta	41,562	\$37,301	77.8%	15.8%	22%	25.6%	19.1%
Missaukee	15,001	\$39,539	82.5%	20%	13.6%	23.8%	10.2%
Montmorency	10,335	\$33,620	70.1%	26.4%	15.9%	28.3%	8.2%
Newaygo	48,897	\$43,558	90.1%	15.7%	15.3%	18.8%	11.4%
Oceana	27,598	\$38,550	80.4%	21.2%	18.8%	27.5%	12.6%
Ogemaw	21,016	\$34,726	72.4%	17%	16.2%	27.6%	9.6%

Osceola	22,930	\$37,996	79.2%	18%	16.4%	23.6%	11.3%
Oscoda	8,836	\$31,385	65.4%	26%	21.6%	28.8%	8%
Otsego	23,808	\$44,591	93%	17.8%	12.9%	14.9%	17.4%
Presque Isle	13,650	\$39,969	83.4%	26%	13.9%	18.7%	11.5%
Roscommon	25,042	\$31,676	66.1%	19.1%	20.5%	27.8%	10.9%
Wexford	31,673	\$40,098	83.7%	19.3%	15.6%	19.9%	15.3%
NI does not serve Grand Traverse and Leelanau counties							
MICHIGAN • UPPER PENINSULA							
County Name	Pop Estimates 2008 US Census	Median Household Income 2007 US Census	% of State Median Household Income 2007 US Census	Unemployment Rate March, 2010 US 9.7%	Poverty Rate 2005 US Census	Children in Poverty 2005 US Census	Percentage Bachelor's Degrees; Adults over 25 2007 Census
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Alger	9,438	\$39,076	81.5%	16.6%	12.5%	18.5%	14.7%
Baraga	8,528	\$38,989	81.3%	29.5%	15.4%	18.9%	10.9%
Chippewa	38,971	\$39,171	81.7%	16.6%	16.5%	20.6%	15%
Delta	37,179	\$41,312	86.2%	15.6%	12.3%	16.7%	17.1%
Dickinson	26,812	\$41,368	86.3%	14.1%	11.1%	14.1%	16.7%
Gogebic	16,043	\$33,742	70.4%	15.6%	16.7%	23.3%	15.8%
Houghton	35,174	\$34,822	72.6%	13.7%	19%	18.5%	23%
Iron	12,001	\$33,481	69.8%	15.4%	14.5%	20.8%	13.7%
Keweenaw	2,202	\$35,903	74.9%	17.8%	13.1%	22.9%	19.1%
Luce	6,614	\$37,718	78.6%	16.3%	18.8%	25.4%	11.8%
Mackinac	10,624	\$38,506	80.3%	30.7%	12.1%	18.1%	14.9%
Marquette	65,492	\$45,536	95%	12.2%	13.6%	15%	23.7%
Menominee	24,202	\$41,616	86.8%	12.9%	14%	17.9%	11%
Ontonagon	6,819	\$34,220	71.4%	22.1%	12.8%	20.1%	13%
Schoolcraft	8,220	\$36,842	76.9%	19.1%	14.5%	22.6%	11.3%

So...the challenges of rural Michigan are significant and the work of the MEDC has been an important contributor to many positives in supporting economic development. However there are some observations that would suggest the value in some additional strategies. First, the Edward Lowe Foundation has created some tracking data about the composition of business and trends by cities and counties across the US. This information can be found at www.youreconomy.org. What we recently learned in reviewing the data, was that in spite of the economic challenges that have been very obvious to us all, *between 2000 and 2007, 43 of the 44 counties that we track showed growth in job creation that relates to small, First Stage businesses, with 1-9 employees*. This could be a hopeful sign of that would suggest that value of **supporting innovation** and new business ideas for rural communities. Helping to fund local small businesses, recycles wealth and does the one thing that almost certainly assures more small business growth which does creating models which will be the basis for others to believe that they too can succeed.

Second, our experience in the Great Waters project has helped us to see the significant value that associates with communities and institutions working together. This brings us to our second key economic development strategy which is supporting **regional initiatives**. Investing in business transactions has its place as does investing in cities and counties, but there also needs to be a place for supporting regional planning, and initiatives. Public investments must also consider that investments in broadband, bike trails, signage, and bike paths in the context of a strategy does have economic impacts, of jobs, new enterprises and strengthening local firms that exist. This is also vital to the attraction and retention of young talent, key to community sustainability.

Third, it is likely that small businesses, particularly manufactures will be challenged in finding capital. In some communities we have seen collateral values fall, and credit shortages. Leverage which was the dominate business strategy, to take advantage of low cost capital, is a strategy whose time has passed. It is important that Michigan continue to find ways to support **small businesses who are seeking to diversify and grow** as has happened over the past 18 months.

Finally, the Pure Michigan campaign has positioned the State to share its abundant assets, regionally and last year nationally. The results by most accounts were positive. We need to support **permanent funding for Pure Michigan** at levels that support a national and eventually a global campaign.

In conclusion the MEDC has done a great job of supporting economic development and adapting to support the changing environment. At the same time, there are some additional tools; supporting small business innovation, supporting regional strategies and efforts, and permanent funding for the Pure Michigan campaign that are particularly important for rural Michigan. Last year Curtis Michigan was able to take a small investment, collaborate regionally and buy into a large Partnership Campaign within the Pure Michigan effort. The earlier data reflects on the results, a 600% increase in web traffic to their promotional site.

This year there are two Microenterprise Bills that have been introduced in the House, HB 6051 and HB 6052. Just as a sustainable promotion effort is critical for rural Michigan with all of our abundant natural assets, so too is capital to help launch and support the wave of small and innovative businesses cropping up through rural Michigan.

The continuing success of building regional strategies requires a sustainable partner in the Pure Michigan Campaign. By tying together a predictable and sustainable promotion effort with the MEDC's ability to partner with regional networks and supporting funds to bring capital to small rural businesses, would be a dynamic strategy for a key segment of rural Michigan. For Northern rural Michigan it would support making promotion and profitability of small businesses Michigan priorities to support rural reinvestment and revitalization.

Thank you for this opportunity to share in my thoughts about the State of rural Michigan.