



38 West Wall Street, P.O. Box 428
Benton Harbor, Michigan 49023-0428
269.925.6100 ♦ Fax 269.925.4471

**Testimony before the New Economy and Quality of Life Committee
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Wendy Dant Chesser, President
Cornerstone Alliance, Benton Harbor**

Good morning and thank you for offering local economic development organizations the opportunity to speak about the issues that we are facing today. As John mentioned, we are representing Southwest Michigan, and for me, that means the communities in northern Berrien County – or as we have branded ourselves -- Michigan's *Great Southwest*.

I am going to get us started this morning by talking about a few primary areas that affect our communities' abilities to compete in this competitive – this uncompromisingly competitive – environment. My topics include workforce development concerns; specific issues that affect Berrien County as a border county; how to encourage cooperation for regional success; and finally our need for non-traditional and flexible economic development tools and incentives.

FIRST, WORKFORCE DEVELOPMENT

Did we really appreciate how good the good times were in the late 1990s? I remember when unemployment in some areas dipped below 3% -- something my college textbooks told us was impossible, that 4% was the lowest the unemployment rate would ever hit. At that time, employers were screaming for quality workers – heck, any warm body was considered a good candidate in some areas. Well, the times have changed. However, employers still make decisions to locate, expand or remain where they are depending on the availability of skilled workers.

From my perspective workforce development is economic development and the two systems need an integrated strategy. The demand side – the employers – and the supply

side – labor – have to be connected in order to be an effective asset for growth and recruitment.

Workforce Development and Economic Development often operate in silos even though both systems consider employers as their primary customers. Lack of coordination affects the services, planning and marketing of a community, region, or even a state.

The strength of the workforce system in the nation and in Michigan is it is locally and privately driven. This enables the local workforce investment board to be responsive to the needs of its community. However, this strength is also its biggest weakness -- because there are 25 workforce regions in Michigan, there are 25 different ways of operating.

So what we have instead of a strategy is federal performance measurements driving our local workforce delivery system. Workforce Investment Boards lack strategic direction, and instead they focus only on the federal outcomes. This makes it not only difficult for economic developers to partner with local workforce boards, but also confusing to our shared customers who depend on our services.

I would like to ask you today for two improvements with workforce development:

- First, the federal government has not provided a workforce strategy, but instead issues performance measurements that were designed in the 1990s, when times were good. We hear over and over that workers today do not have the skills that are relevant to today's job providers.

We would love to see the state of Michigan advocate for a national workforce policy that recognizes the importance of long term individual achievements – such as vocational certifications, transferable skills, and secondary educational degrees.

- Second, we could benefit from better coordination at the state level.

Often economic developers have a better connection with employers and growth opportunities, but workforce development organizations have more financial resources.

MEDC and DLEG's Bureau of Workforce Transformation need a formal relationship for maximum effectiveness. Competing visions at the state level make it very difficult for us at the local level.

Workforce development has to be valued as an important economic retention and recruitment tool.

NEXT, A FEW WORDS ABOUT OUR EXPERIENCE AS A BORDER COUNTY

While workforce concerns exist everywhere, we have additional challenges in my area as it relates to the commuting patterns of our workforce. The 2000 Census reported that of the 75,037 resident workers *living* in Berrien County, over 81% *worked* in Berrien County, and almost 19% *worked* someplace else. Of the jobs that were supported by Berrien County *companies*, 84% were filled by County residents and 16% lived somewhere else.

It should come as no surprise that “someplace else” includes the land south of the state line.

Our laborshed crosses our state’s southern border, and although the Michigan tax base may benefit from a company’s decision to locate in Berrien County, our incentives don’t recognize those workers that may live a bit further south.

By 2007, Michigan counties were sending over 15,300 workers into Indiana’s 3 northern counties nearest to us. Our state was importing only 3,179 workers from these same three counties – one fifth of what we are exporting. It is in our best interest to value the employers we have, regardless of where their employees live.

THIS BRINGS ME TO REGIONAL NEEDS . . .

Many influences exist that draw an area together as a region: commuting patterns, media markets, transportation systems, and education centers. The quality of life of all communities is greatly impacted by the activities and amenities of their surrounding neighbors.

- The folks in South Bend Indiana don’t have beautiful sand beaches, but they take advantage of ours when they market their community. Conversely, in Berrien County, we don’t have a major research institution with a premier college football program . . . well, neither does Notre Dame, but their researchers are only 40 minutes away from my office in Benton Harbor.

Since I've been at Cornerstone over the last 5 years, I have competed for a prospect with one of the border counties in northern Indiana only once. Communities rarely compete against their neighbors for economic development opportunities. Industries look at the collective strengths of a region before deciding to locate or expand their operations. Area assets, including workforce, housing, transportation, infrastructure, suppliers and industry clusters are a few of the attractions on which a regional approach can capitalize. Economic clusters within a region can be an attraction and an advantage.

Whether it is formal governance or informal stewardship, regional leadership must emerge to take advantage of these cross-jurisdictional linkages. Any support or acknowledgment we can get for continuing to maximize our regional advantages would be helpful and appreciated.

AND WHAT NON-TRADITIONAL ECONOMIC DEVELOPMENT TOOLS AND INCENTIVES CAN BE DEVELOPED OR MODIFIED?

As local economic developers, we are on the front line in not only understanding our local problems, but also identify the locally-driven solutions. I am more certain than ever that this, the local level, is where "the rubber meets the road" – where all of the federal and state policies converge, and they have a great impact on the future of the local communities.

We know best the problems that we face in creating a stable business environment. And we are charged with creating and implementing the solutions to these problems. What we come to state government for are the tools to help us build them. We need your flexibility for the tools that are in place, and creativity in building those solutions for which the traditional tools don't quite fit. I know my colleagues will hit these points as well, but I wanted to offer two perspectives:

- First, we have an active prospect right now that is looking to start up a new venture in an existing building. We are competing with a similar building in Ohio. The state of Ohio is offering incentives on the projections the company is making for Year 3. In Michigan, our policies look only 12 months out. With this startup company, at the end of the first year, they expect to have about 20 employees. But by Year 3, they should

have 70-80 employees. Which state do you expect to offer a better incentive package? If you say Ohio, I expect that, too.

- Secondly, two of the economic strengths of Berrien County include our ability to grow great food and our location along Lake Michigan. We are embarking upon an economic strategy that links both agriculture and tourism. We are seeking assistance to create additional venues in our area to enhance a tourist's experience, and a major barrier our entrepreneurs encounter is access to capital. Whether you're looking to build a new winery or a butterfly house, traditional economic development incentives are lacking. One way the state could help us and perhaps other communities with non-traditional strategies is to create revolving loan funds that can be targeted to our regional niches.

In closing, I'd like thank you again for this opportunity. While you are the policy makers, we know the issues, because we deal with them every day. We know best how to solve our own problems—we just need the tools to make it happen. While we may be on the front line, we are all in this together. We appreciate you giving us a seat at the table when discussing how our state will create a brighter future.