



BUSINESS LEADERS FOR
MICHIGAN

**Senate Reforms, Restructuring, and
Reinventing Committee**

January 26, 2011

Who We Are

- **State's business roundtable**
 - Chairpersons, chief executives or most senior executives of the state's largest job providers and universities

- **Formed in 2009**
 - Expanded from SE Michigan to a statewide focus
 - United former Detroit Renaissance with state's other key business leaders

Economic Impact

- **Over 300,000 direct jobs, 135,000 students**
 - 7% private-sector workforce
 - Nearly one of every two college students
- **Jobs that pay 2x than Michigan private sector average**
- **Over 800,000 direct and indirect jobs**
 - 17% of private sector jobs
 - 23% of private sector earnings

Our Work

- **Mission: *Make Michigan a "Top Ten" state for job and economic growth***
- **Defined by the Michigan Turnaround Plan**

The Case for Change

- **Weaker:**

- 2/3rds of all U.S. private sector jobs lost since 2000
- Job growth has lagged U.S. in 90% of job sectors
- 48th in job growth since 1990

- **Smaller:**

- Growing 6-8% less than average U.S. state

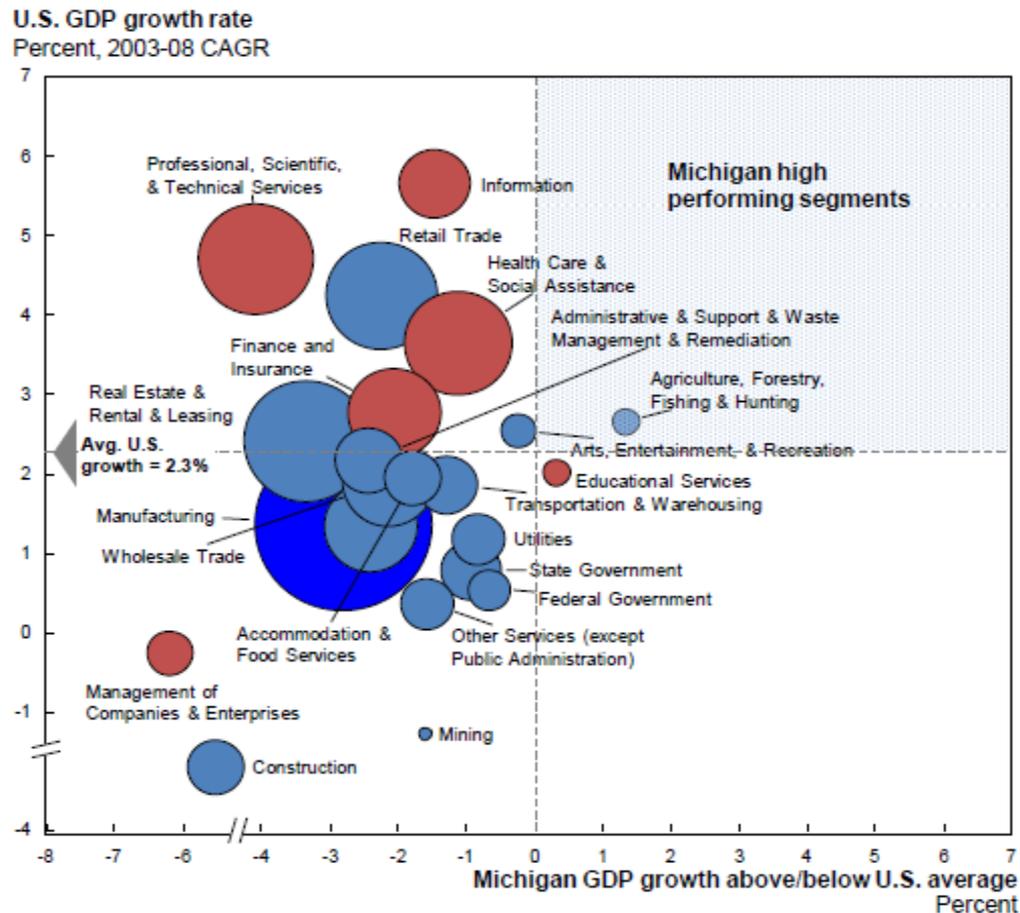
- **Poorer:**

- Per capita income fallen to 37th
- 50th in per capita income growth since 1990

Job Growth Has Lagged Across Most Sectors

Michigan Is Under-Performing Across Sectors

- Only one of 22 industry groups had both positive Michigan growth, and grew ahead of the US average - Agriculture
- All knowledge-based industries trailed US average growth

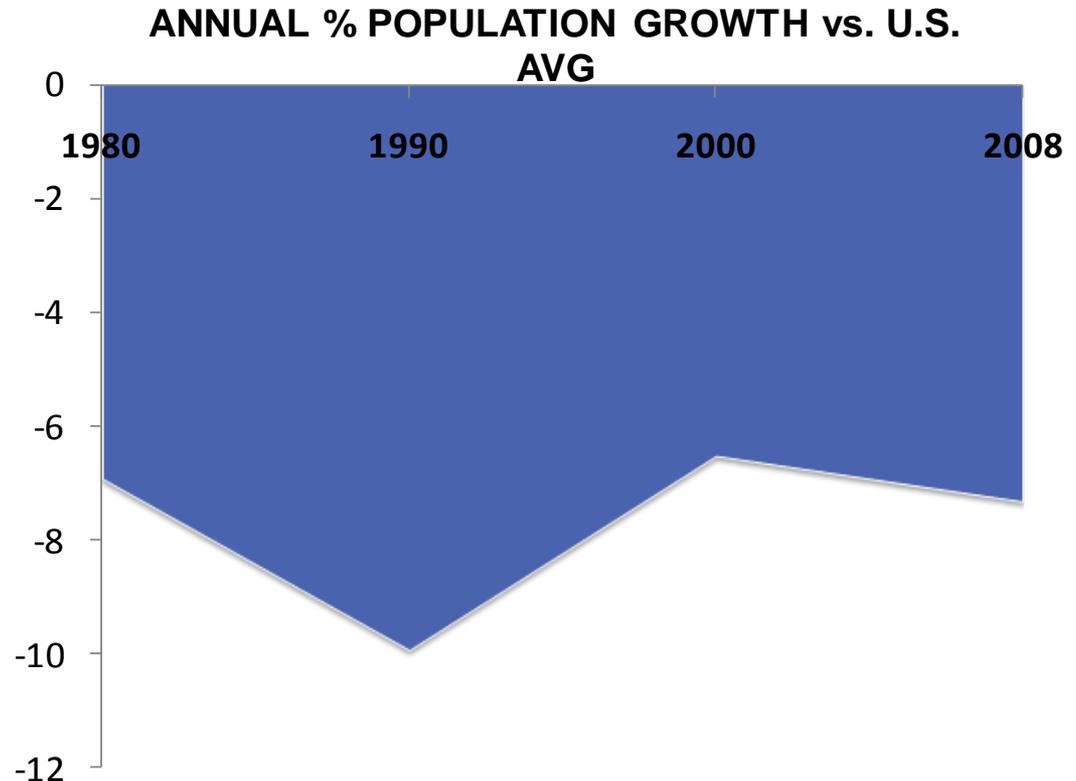


Source: Bureau of Economic Analysis; McKinsey

Growing Slower than the Rest of the Country

Michigan Getting Smaller Relative to U.S.:

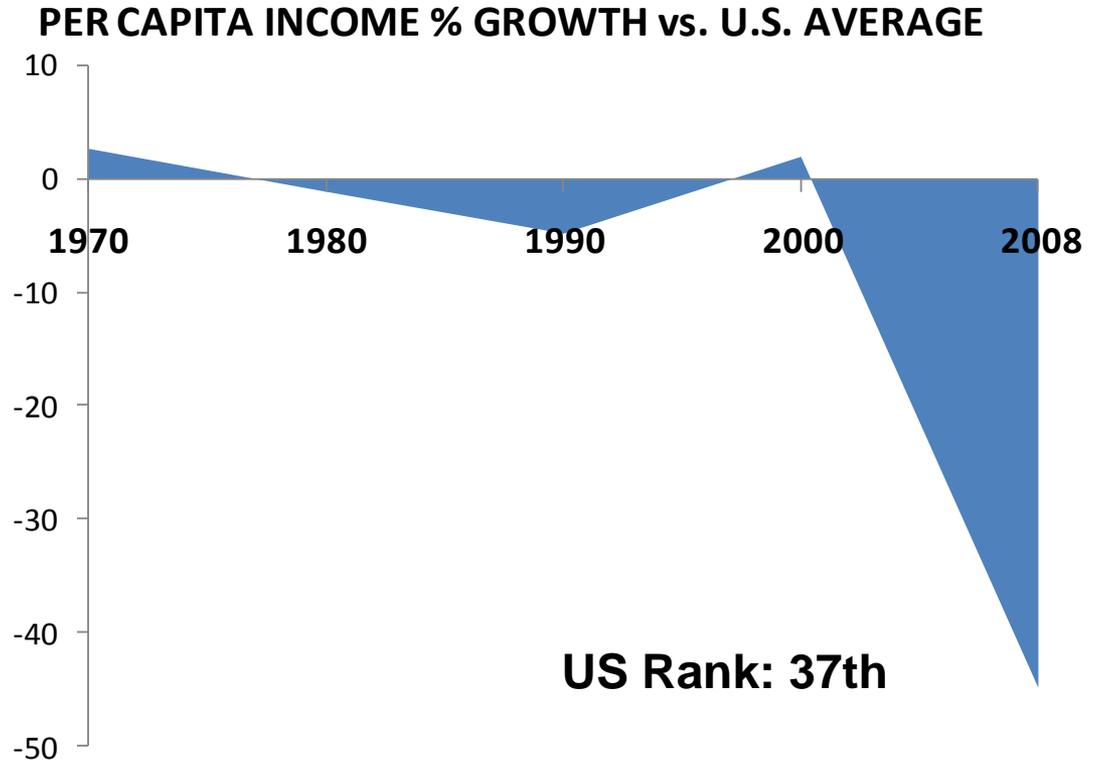
Michigan has been growing at a slower rate than the average U.S. state for nearly 40 years. This has resulted in Michigan becoming less desirable for business investment as its share of the consumer market declines.



Per Capita Income Falling

Michigan Getting Poorer Relative to U.S.:

Michigan's per capita income has been declining for nearly 40 years and the rate of decline has accelerated dramatically in the past decade.



Last in GDP Growth

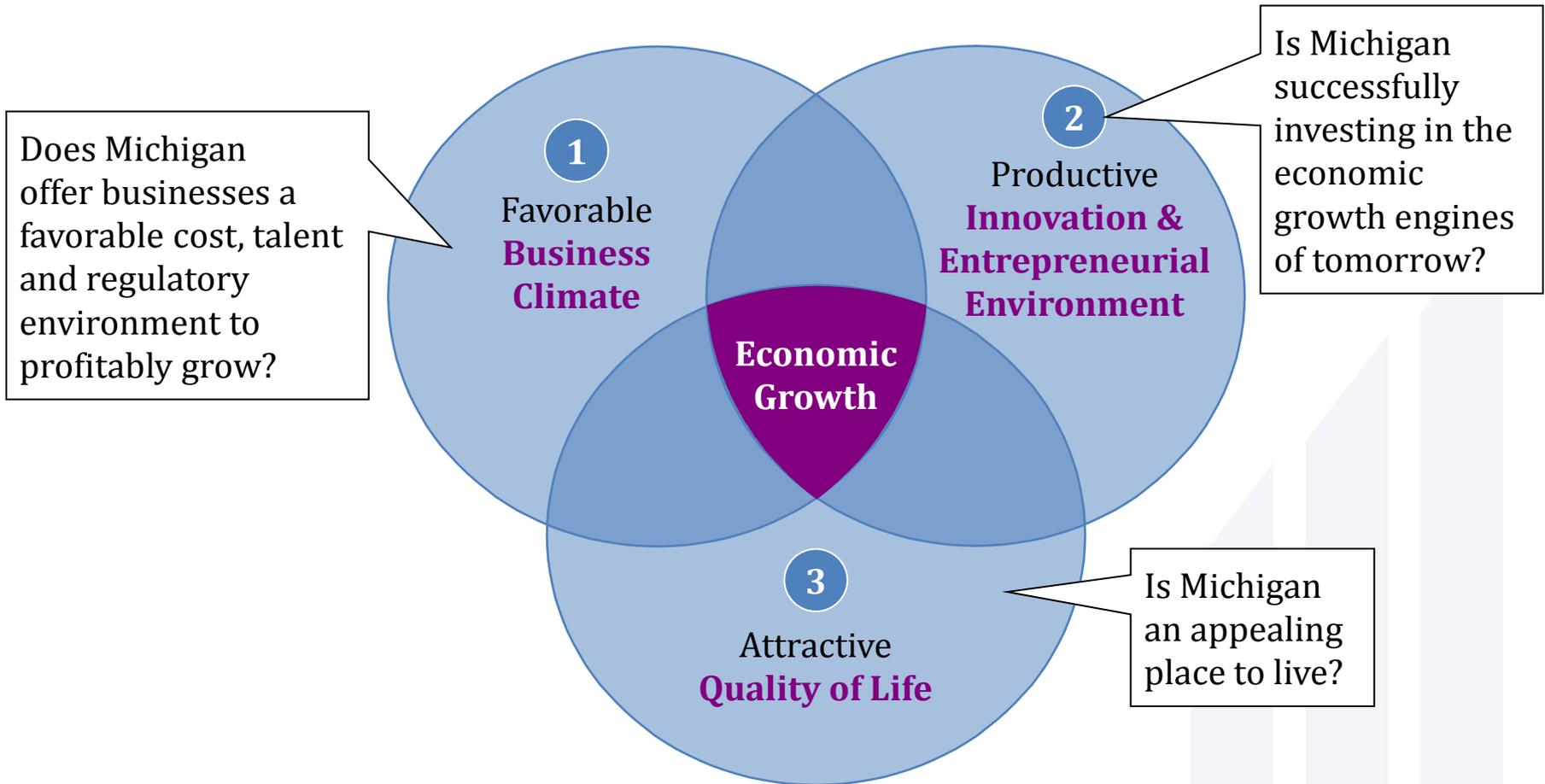
Michigan Ranks Last in GDP Growth:

- Michigan's Gross Domestic Product (GDP) is \$382 Billion as of June 2009
- Since 2000, if Michigan's economy had grown at the average rate of the Top 10 states, Michigan would produce \$118B (31%) more GDP

State	GDP CAGR, 2000-07 Percent	GDP growth 2008- 09(Q2) Percent	2008-09(Q2) Rank
MI	-0.1	-7.6	50
OH	0.7	-3.6	40
IN	1.3	-4.2	41
GA	2.0	-2.7	36
TN	2.7	-2.2	30
AL	2.7	-2.2	31
IL	1.6	-2.4	33
NC	2.8	-2.6	34
CA	2.7	-1.7	27
MA	1.7	-1.0	19
TX	3.4	-0.4	13
Top 10 ¹	3.2	-1.2	

Source: 2010 BLM Benchmarking Report

Growth Benchmarks are Supported by Three Key Components

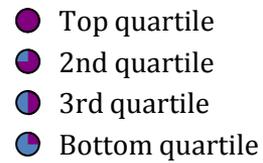


The Case for Change

- **Less competitive**
 - Total business costs 3-4% > average state
 - Total business costs up to 20% > peer states

- **Costs ≠ value**
 - Ranked 48th in nation for business: CEO's & site consultants

Michigan is Average to Below Average on Most Key Site Selection Criteria



Site Consultant & Company Survey – “When evaluating sites, which factors are either very important or important¹.”
Percent of Respondents

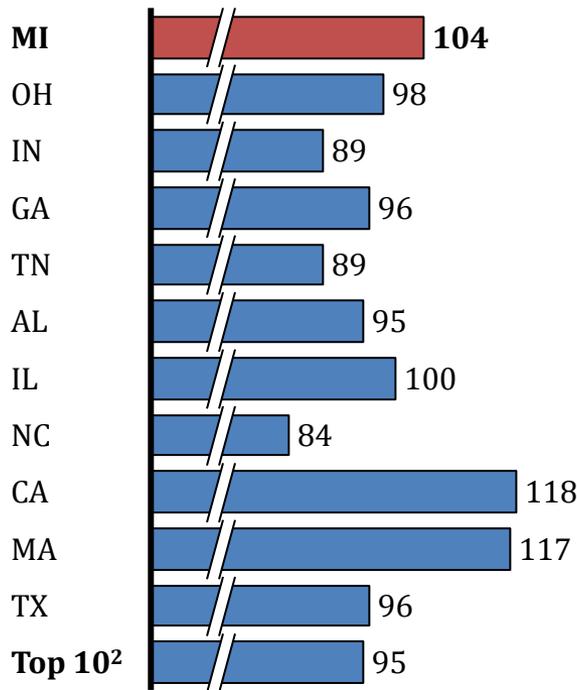
Transportation, financial & labor factors (10 of 25 most important factors)	Michigan performance on key filtering metrics	Quartile
State & local incentives 96.1	Ranking out of 50 states (1 = best) State & local incentives ² 25	●
Highway accessibility 95.8	Commute time 29	●
Availability of skilled labor 94.9	% of population 25+ yrs w/ a bachelor's degree or higher 34	●
Energy availability & costs 90.7	Electricity cost Natural gas cost 30 28	●
Tax exemptions 89.9	Number and amount of tax exemptions ² 25	●
Occupancy & construction costs 87.1	Property tax ranking 25	●
Corporate tax rate 86.8	Corporate tax ranking 48	●
Proximity to major markets 86.3	Proximity to major markets ² 25	●
Availability of land 85.6	Availability of land ² 39	●
Labor costs 82.8	Labor wages 43	●

1 The survey question asked respondents to either rate the factor as (1) very important (2) important (3) minor consideration (4) of no importance
2 No formal ranking. Represents middle (ranking = 25) or bottom (ranking = 39) quartile based on site consultant interviews
SOURCE: Area Development annual company and site selection survey (2008); BLS; ACCRA; NCES; Tax Foundation; Census; NSF; Site consultant interviews

Michigan's Cost of Doing Business Creates Disadvantage vs. Traditional Industry Peers, and Decision Maker Perceptions of Michigan are Poor

Michigan has a cost disadvantage compared with traditional industry states...

Cost of doing business index¹, 2006, US average = 100

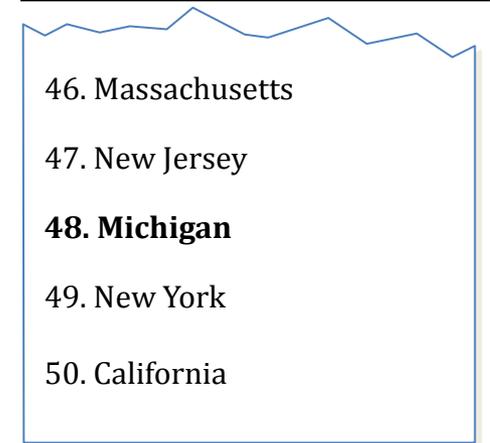


... and senior executives and site consultants view Michigan's business climate near bottom of all states

CEO state rankings for jobs and business growth 2009



Site consultant and executive state rankings for "perceived" business climate favorability 2009



"Michigan and California literally need to do a 180 if they are ever to become competitive again ... they are absolute regulatory and tax disasters" – CEO

1 Consists of 75% labor costs, 15% energy, 10% state/local taxes

2 Top 10 states in per capita GDP growth, 00-08: ND, OR, SD, NY, VT, IA, MT, WY, NE, MD

Tax Environment Creates Disadvantage for Businesses, Particularly Medium and Large Businesses Paying Corporate Taxes

Michigan's corporate and unemployment tax climates are in bottom five states in the country

Components of business tax climate

2009 state rankings, 1= best rank

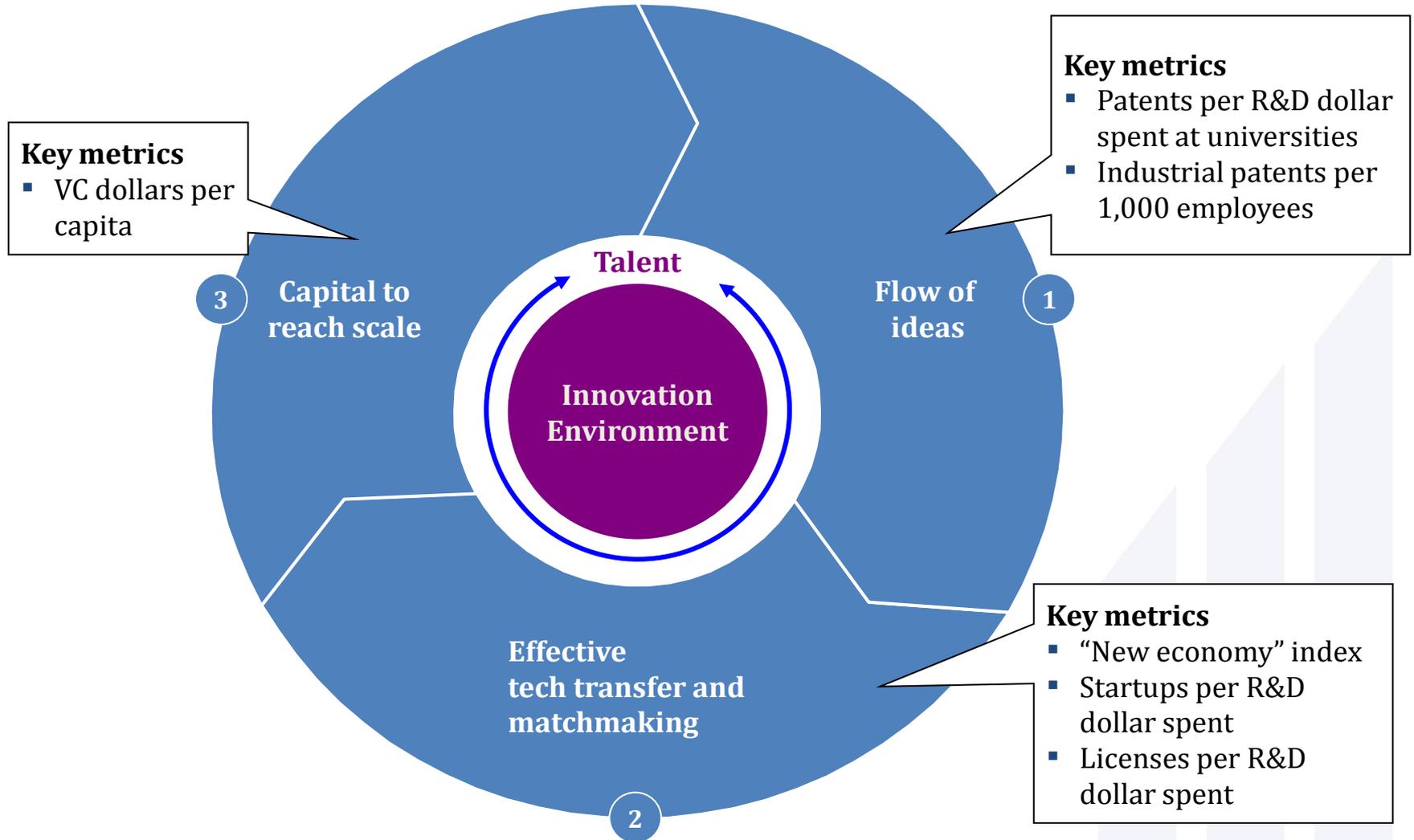
	Corporate tax	Property tax ¹	Unemp. ins. tax	Sales tax	Personal income tax
MI	48	25	46	11	15
OH	33	46	15	36	47
IN	23	7	13	19	11
GA	8	36	20	16	30
TN	12	38	32	48	8
AL	21	13	14	33	17
IL	28	41	43	39	10
NC	26	37	6	38	37
CA	45	15	16	43	49
MA	47	44	49	9	16
TX	42	30	9	28	7

- Michigan's corporate tax climate among least attractive in country
- Businesses which pay tax through individuals (e.g., sole proprietorships) have more favorable environment

1 Includes both real and personal property tax in Michigan

SOURCE: Tax Foundation 2009 Business Tax Climate Report

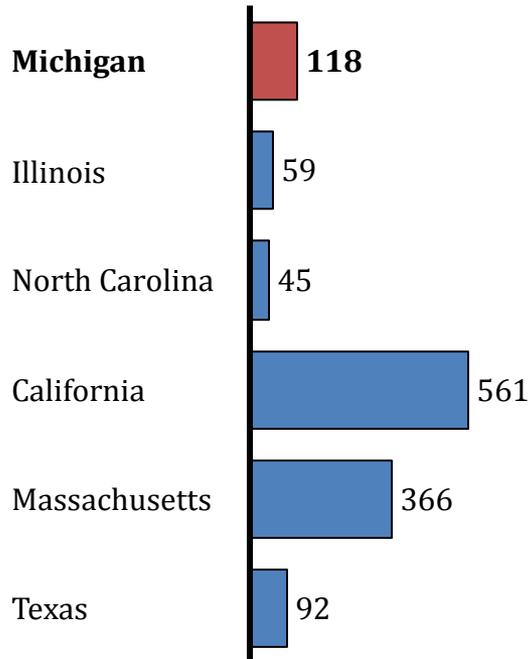
A Thriving Michigan Innovation & Entrepreneurial Environment Requires Three Key Components



Michigan Universities Outperform Many Peers in Spend & Idea Commercialization, and Rival MA and CA in Activity per Dollar

MI universities' R&D is above many peers, but still trails CA and MA

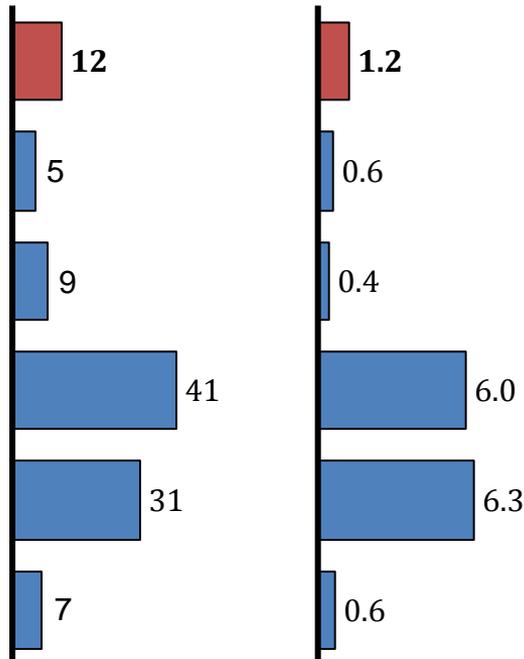
University and college R&D Expenses per capita, 2007 (\$)



Idea commercialization and tech transfer above many peers as well...

New university commercial licenses per million habitants

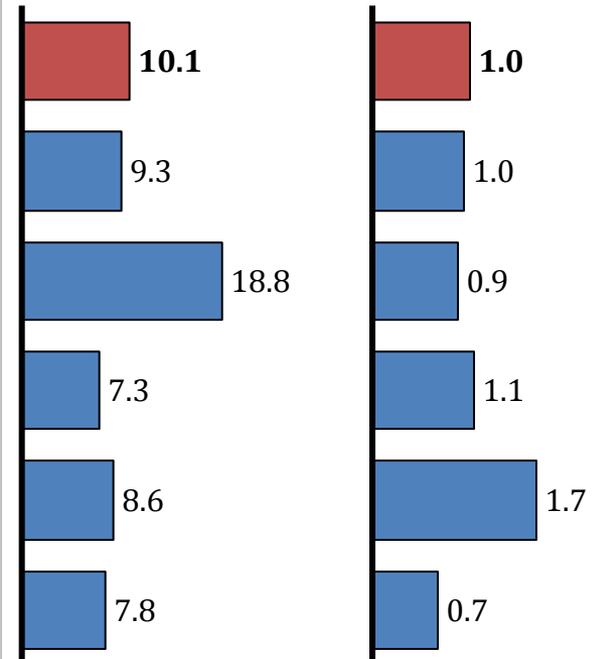
New university startups per million habitants



... and rate of startups spun out of universities per \$ of R&D spent rivals CA and MA

University commercial licenses per \$100M R&D spent

University startups per \$100M R&D spent



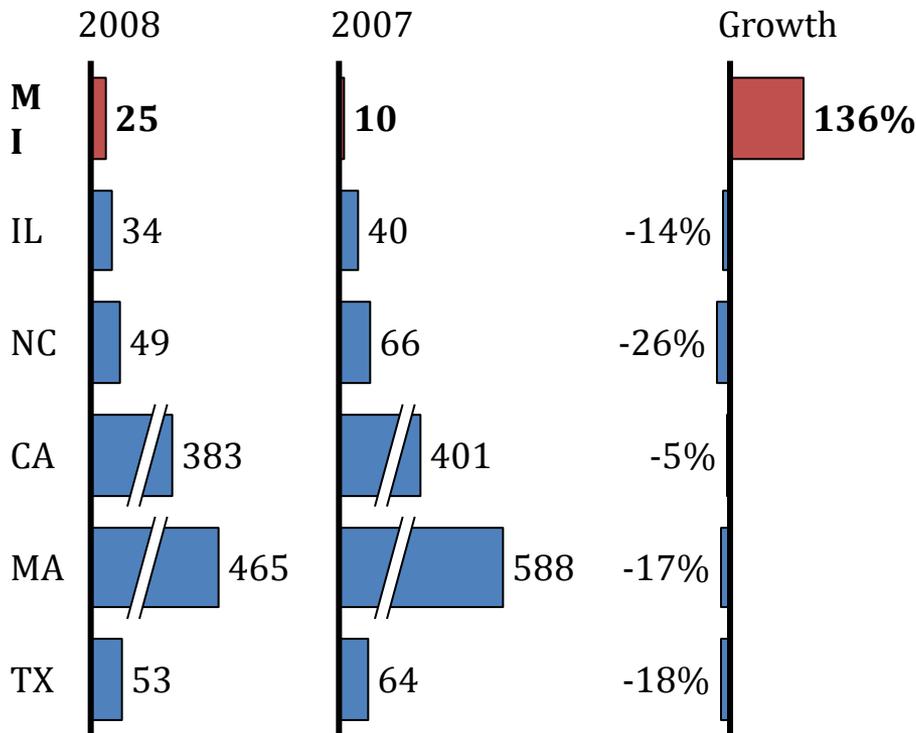
NOTE: Includes only Top 100 universities and colleges as defined by U.S. News & World Report
 SOURCE: AUTM University Licensing Survey (2007); U.S. News; team analysis

Limited Availability of Venture Capital Impedes Ability of Growth Firms to Reach Scale & Michigan's Ability to Attract / Retain Entrepreneurs

Michigan's VC investment per capita jumped 135% in 2008 (driven by one \$160 million deal) but remains the lowest among peers and only a fraction of innovation hubs such as CA or MA

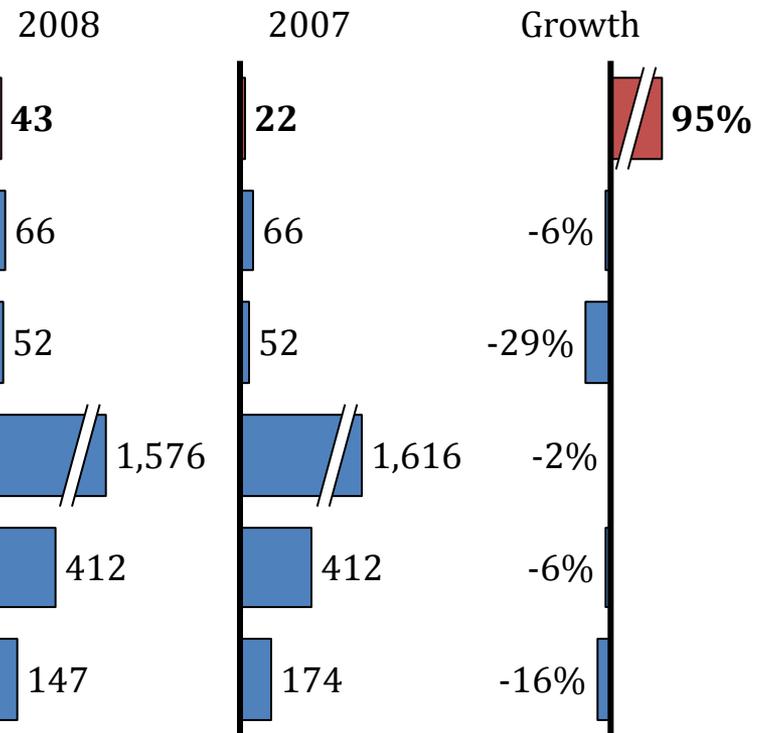
Venture capital investments per capita

Dollars per capita



Total venture capital deals per state

of deals



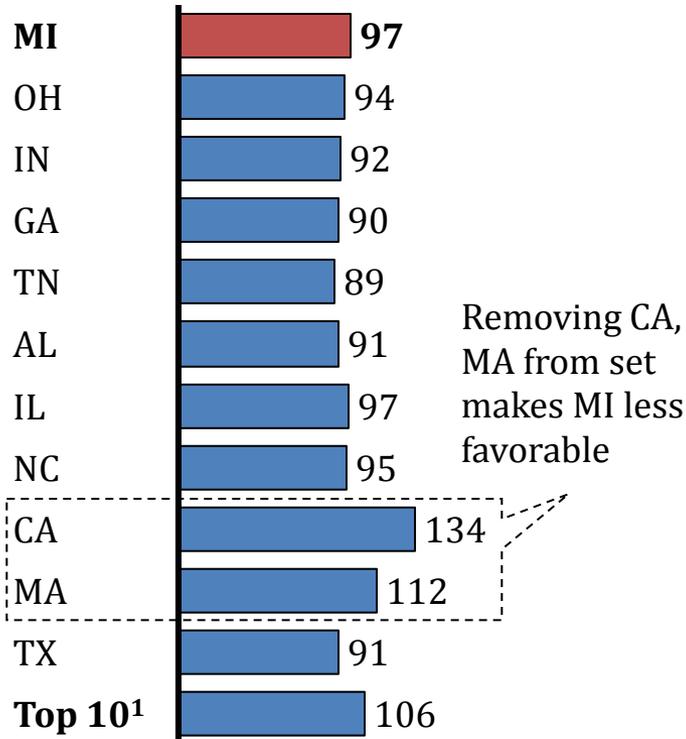
SOURCE: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report

Michigan Cost of Living is Favorable, Especially Compared to the “New Economy” Competitors

The overall cost of living is above the traditional industry competitors but in line or below the “new economy” benchmarks states

Cost of living index

100 = US average, 2009 (Q1)

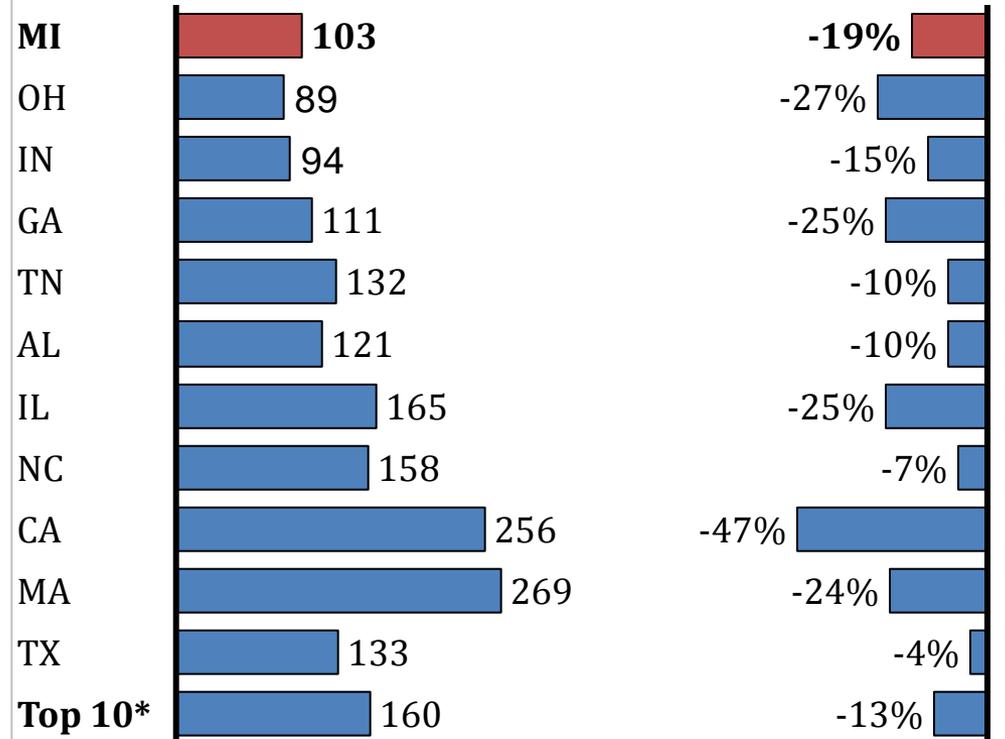


Housing prices are more affordable than in most competitor states and significantly cheaper than in the “new economy” competitors

Median existing home sales price

\$ Thousands, 2009 (Q1)

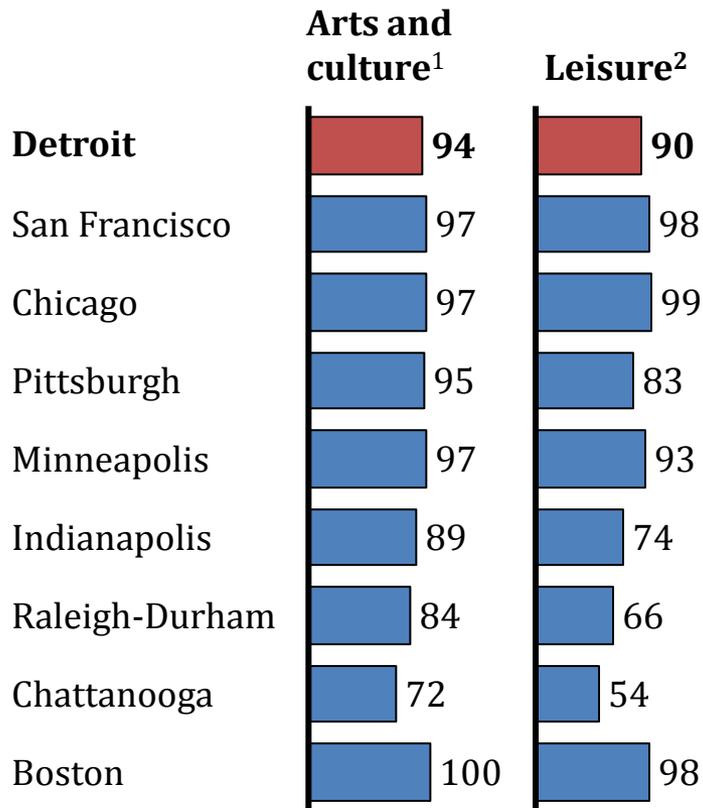
Percent change from 2007



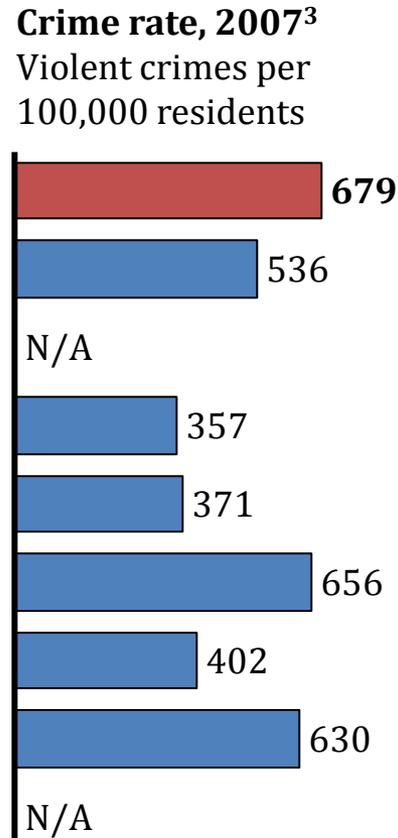
1 Average of the top 10 states in GDP per capita growth between 2000 and 2008 excluding HI (i.e., ND, OR, SD, NY, VT, IA, MT, WY, NE, MD)

Although Detroit's Cultural and Leisure Offering is Comparable to Top Cities, Crime Rates and Perceived Quality of Life Limit Attractiveness

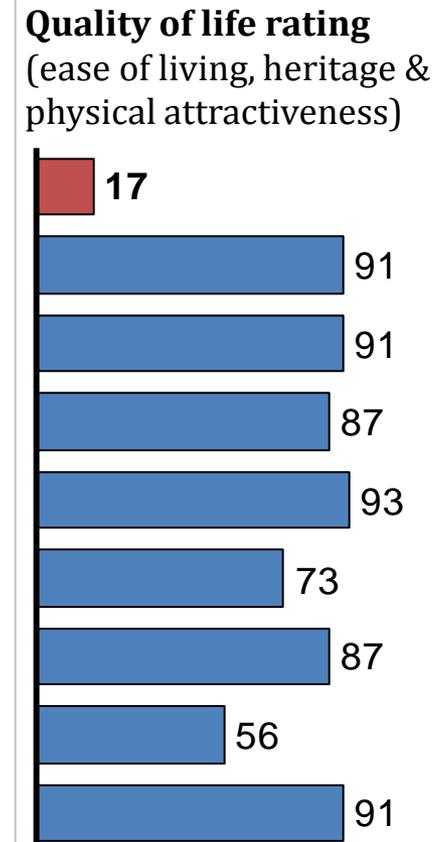
Detroit's scores in arts, culture and leisure in ranges of top US cities



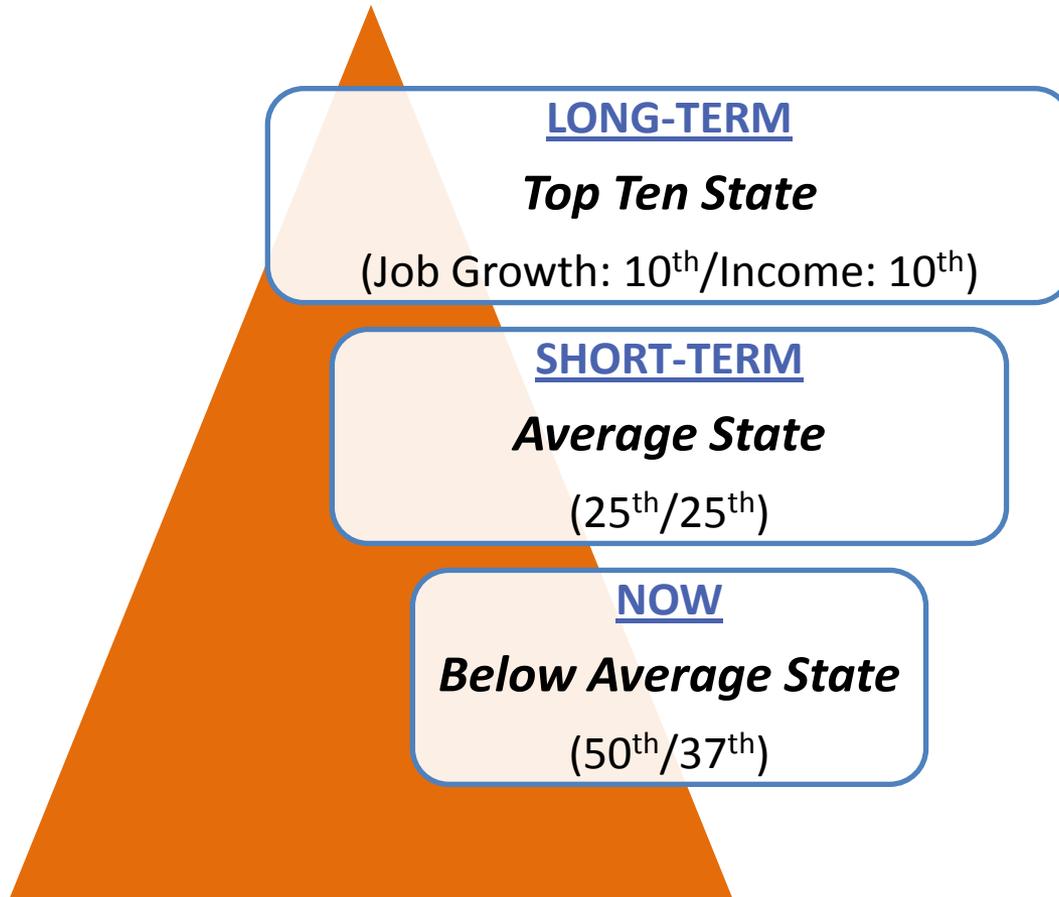
Detroit's crime rate is high relative to most cities



Detroit's quality of life rates very poor



Goal: Become Top Ten State



Building the New Michigan: The Michigan Turnaround Plan



1 - Manage State Finances

- **Multi-year budgeting & revenue forecasts**
- **Pay-as-you-go budgeting**
- **Fiscal notes**
- **Citizen-friendly balance sheet**

2 - Right-size & Reform State Budget

- **Benchmark & freeze state and public school employee compensation**
- **Reduce spending on corrections**
- **Remove barriers & incent service sharing**

3 - Get Michigan Competitive

- **Reduce business taxes to Top Ten**
- **Reduce regulations > federal standards**

4 - Invest in Future

- **Higher Education**
- **Infrastructure**
- **Cities**

5 - Accelerate Job Growth

- **Grow all businesses, not just “target sectors”**
- **Emphasize retention & expansion**
- **Support entrepreneurship & innovation**

Top Ten: Where We Could Be

If Michigan had grown like a Top Ten state since 2000, we would have...

1,000,000

More Jobs

\$7,500

More Income/Person

\$30,000

**More Income/Family
(of 4)**

Building The New Michigan

- **We've "hit bottom" and are growing again!**
- **We're ahead of other states in reinvention!**
- **Have assets to build on!**

MichiganTurnaroundPlan.com

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The Michigan Turnaround Plan

Take Control of Michigan's Future

The need for change has never been greater in Michigan. But there is something we can all do in Michigan to create a better future for our state.

A vote for the Michigan Turnaround Plan is a vote for Michigan's future.

Whether you consider yourself a liberal, a conservative or someone in the middle, the Michigan Turnaround Plan provides action plans and goals behind which all Michigantians can unite for our state's future.

5 The Five Step Turnaround Five Steps For A Better Michigan

- Changing the Way We Manage Our Finances
- Right-sizing & Enacting Structural Budget Reforms
- Getting Michigan Competitive To Attract & Retain Jobs
- Making Investments That Create A Great Job Environment
- Accelerating Job Growth Through Innovation & Entrepreneurship

Read the full plan here or download a full copy.

[← read the full plan](#)



Latest News

Read about the plan in the news

CEOs Say National Recession Ending, But Not Michigan's

October 27, 2009 - Business Leaders for Michigan's quarterly survey of 70 of Michigan's most prominent CEOs indicates that Michigan will continue to lag the nation's economic performance over the next eighteen months, but there is less pessimism than in the second quarter survey. ...

Business Leaders for Michigan has "turn-around" plan for state

October 18, 2009 - Business Leaders of Michigan, a group of top executives, say they are not pleased with the direction the state is headed. They say they have a five-point plan to get the state back on the right path. ...

[← read the full news feed](#)

What You Can Do

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We will keep you up to date with news, events and other information on our effort create a better Michigan.



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