

DETROIT RENAISSANCE

Detroit Renaissance's Perspective: Principles for Addressing Michigan's Economic Competitiveness

Detroit Renaissance believes bi-partisan, strategic efforts are needed to move Michigan forward.

We offer the following recommendations to immediately improve the health of our state's economy and improve our overall economic competitiveness. We believe these actions will bolster confidence in the state as a place to do business and achieve meaningful results. These recommendations are offered in a spirit of non-partisanship and were crafted to reflect what we believe is politically possible to achieve in a relatively short period of time.

Detroit Renaissance supports these principles and is willing to assist elected officials in achieving these objectives. In addition, policy options such as lengthened term limits and a part-time legislature should be seriously considered to advance these principles. We stand ready to offer our counsel and assistance to help put these principles into action.

SHORT-TERM ACTIONS

We believe the following recommendations can be implemented in the short-term and will provide a basis for additional structural reforms being proposed by Detroit Renaissance:

Recommendation #1: State budget growth should be flat and no new programs should be added unless corresponding offsets are found and/or revenues increase as a result of real economic growth. The state budget has continued to grow, while state revenues have declined. Real budget cuts must be made, not reductions of budget increases, to achieve a sustainable financial condition.

Recommendation #2: Legislative leaders and the Governor should change their revenue forecasting procedures to project revenues over at least a two year period, increase the frequency of reviewing projections and include an external panel of economic experts to affirm the projections to

achieve the most accurate and timely identification of upcoming fiscal conditions.

Recommendation #3: State government should focus on encouraging and supporting the growth of existing Michigan businesses. Most future job growth will come from businesses already located in the state or those that will start-up here. Until our overall competitiveness is improved, we advocate going back to basics and doing everything we can to help existing businesses and creating a more entrepreneurial culture. The expansion of economic incentives to in-state firms is a step in this direction. Additional steps could include expanding Michigan's business retention programs, providing preferential regulatory processing to in-state companies with strong compliance records, adopting the simplest business start-up regulatory process in the nation, and dramatically increasing the level and frequency of communication with business leaders.

Recommendation #4: State government should invest its limited capital resources in economic stimulus projects that will promote the state's overall competitiveness. We believe investments should be targeted on the business development infrastructure, such as advanced technologies that benefit multiple business sectors, our public universities, and major economic engines, such as the Detroit Aerotropolis.

OVERALL COMPETITIVENESS

Outlined below is a series of principles we believe state government should adopt to achieve a sustainable fiscal structure. In addition, we offer principles to guide future economic development that builds on Michigan's assets and enables broad-based industry growth.

Principle #1: Enact meaningful structural reforms to minimize the need for new sources of revenue. These reforms will create a sustainable state and local financial structure and ensure the competitiveness of Michigan. The reforms should be based on the recommendations of a cross-segment of Michigan leaders selected by the Governor, Senate Majority Leader and Speaker of the House. This group should review all state spending and propose actions that achieve a sustainable budget to meet Michigan's critical future needs. Reforms could include initiatives such as:

1. Bring spending for Michigan's prison population in line with other Great Lakes states.
2. Bring local government and public school employee pensions in line with those of state employees.

3. Bring local government and public school employee health care benefits in line with those of state employees. Bring state employee health care benefits in line with the private sector.
4. Eliminate binding arbitration for municipal police and fire employee contracts.
5. Eliminate barriers to consolidation for municipal governments.
6. Require public schools to provide non-instructional services (i.e. food service, busing, maintenance, etc.) in the most cost-effective manner, including potentially out-sourcing these services. Consolidate purchasing to take advantage of economies of scale.
7. Bring Medicaid spending in line with other states.

Principle #2: State government must focus on making the total cost of doing business in Michigan competitive with states we most frequently compete with for jobs, including mid-west and southern states. The total cost of doing business today is not competitive as evidenced by our sluggish economic growth. A competitive labor force, efficient regulatory processes and a competitive tax environment are paramount to improving our cost of doing business. State government can impact these factors by improving the productivity of the labor force through training and education programs focused on real workforce needs, improving the responsiveness of regulatory processes and enacting a tax system that helps Michigan compete on total business costs, not just tax rates.

Principle #3: Those responsible for administering regulatory programs should help business comply with these standards as part of their responsibility. Based on recent benchmarking studies, Michigan's business climate is viewed negatively in part due to a lack of "user-friendliness" in the regulatory systems. Even though Michigan's regulatory standards are approximately the same as other states in most areas, business leaders cite poor response times, a non-collaborative relationship and rigid decision-making process as contributing to their negative views. While some improvements have occurred and others are in process, additional efforts should be made to appoint individuals to regulatory compliance positions who have a strong customer service ethic; monitor cycle-times for regulatory decision-making; and establish a strong ombudsman role to trouble-shoot problems.

Principle #4: State government should more aggressively seek to increase federal resources coming back to Michigan. An increase in federal resources

could help offset the need for state funding of critical needs and would restore more balance to Michigan's status as a "donor state."

Principle #5: Providing the next generation with a great education that enables them to excel in a rapidly changing economy should be the most important priority of state government. An outstanding workforce is our state's best way of achieving long-term economic competitiveness. Specifically, we urge higher education funding to be a top priority for any new spending. Higher education institutions should be rewarded for collaboration, economic development efforts, increasing enrollment and cultivating entrepreneurship. Likewise, we expect higher education to aggressively support new business growth collaborations. While we support a strong K-12 education system, we believe K-12 education spending should be more effectively managed through rigorous outcome standards and incentives for consolidation and efficiency.

Principle #6: State investments should be focused on initiatives that will have the greatest long-term economic impact for the state. We believe investments in higher education, public infrastructure, transportation and urban redevelopment have the greatest potential for stimulating long-term economic growth.