

# General Session:

## Conversation with the Governor Live on WWJ Newsradio 950

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The Honorable:

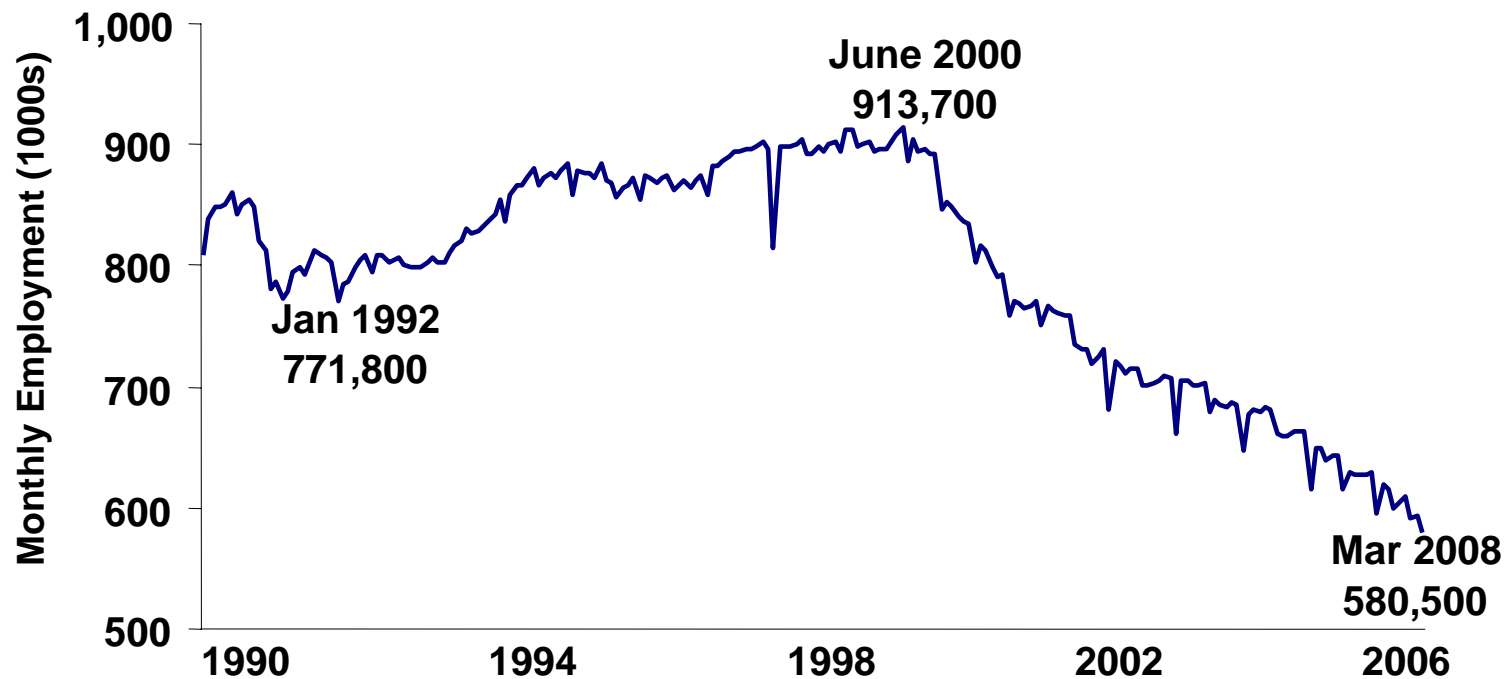
# Jennifer M. Granholm

**Governor**  
State of Michigan

# Michigan's Economic Challenge

## Michigan Manufacturing Employment

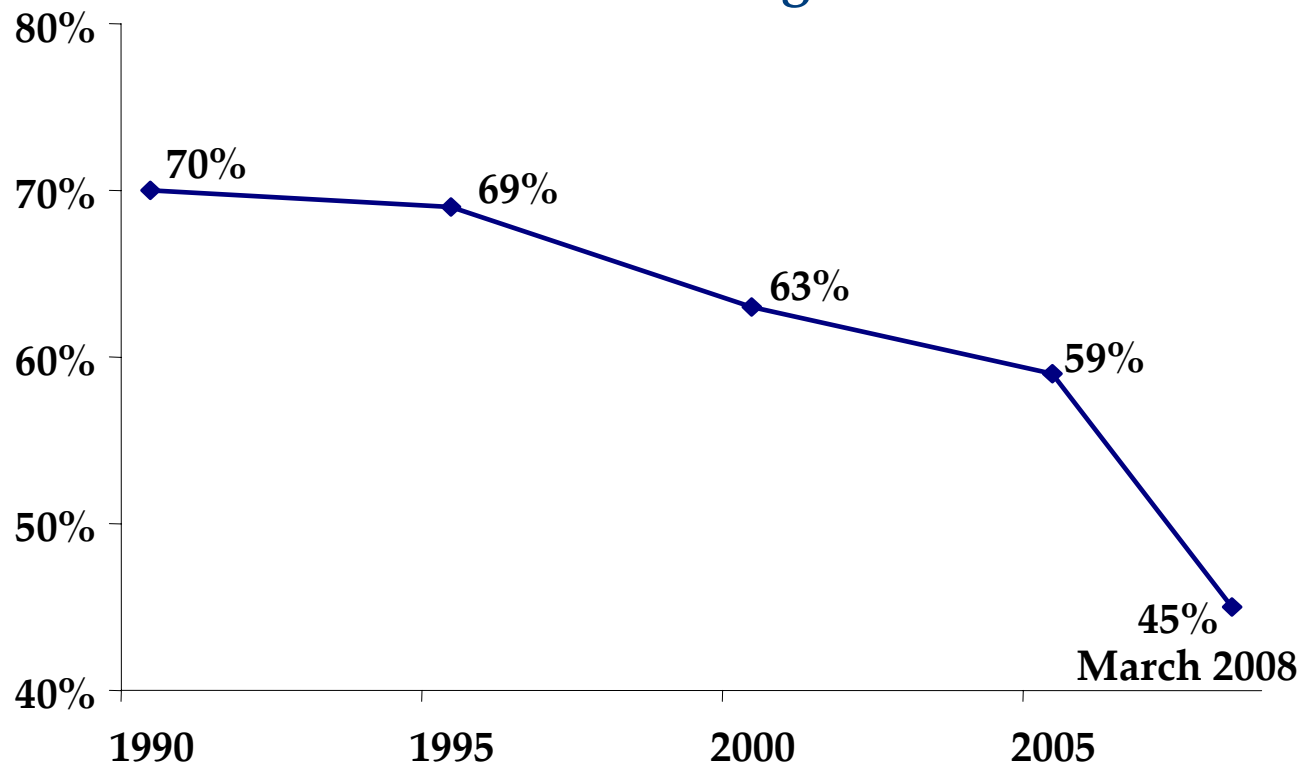
Since June 2000: 330,200 Jobs Lost; 36% Decline



Source: Michigan Department of Labor and Economic Growth Non-seasonally adjusted data

# Michigan's Economic Challenge

## Big 3 Market Share US Sales of Cars and Light Trucks



Sources: Automotive News, Detroit Free Press

# Next Steps For Progress That Unites Us

- ❑ Create a Skilled, Educated Workforce
- ❑ Diversify Our Economy
- ❑ Lower the Cost of Government

# 1. Education and Training for All

## Cherry Commission - Strategic Plan to Double College Grads

- ☑ All High School Students Must Now Meet Tough High School Graduation Requirements (Rated in Top 3 in US)
- ☑ All High School Students Take College Entrance Exam
- ☑ All High School Students Have Access to a \$4,000 Michigan Promise Scholarship
- ☑ More MI Students Going to College Than Ever Before

## No Worker Left Behind

- ☑ Overhauled job training to meet employer needs
- ☑ Goal – Train 100,000 workers for jobs in demand

# Next Step for Creating a Skilled, Educated Workforce

## Replace Large High Schools that Fail with Small High Schools that Work

- Small, rigorous, relevant, relationships
- School prepares kids for jobs
- Site-based management, labor-management cooperation
- Already 6 in Michigan
- 21st Century School Fund could create 100 more
- No new tax dollars

## 2. Economic Diversification: New Tools to Attract, Grow Jobs

- ☑ 21st Century Jobs Fund
  - \$2 Billion, Most Aggressive in Country
- ☑ New Tax Incentive Tools
  - MEGA expanded to be more flexible and cover more businesses
  - Alternative Energy and Agricultural Renaissance Zones
  - Anchor Company Tax Credits

## 2. Economic Diversification: New Tools to Attract, Grow Jobs

- ☑ Venture Capital and Private Equity Programs
  - Venture Michigan Fund - \$95 M
  - 21st Century Investment Fund - \$109 M
  - Angel Investor Tax Incentive
  - Invest Michigan Fund - \$300 M
  
- ☑ Overseas Investment Missions
  - 37 companies & 9,000 jobs

# Alternative Energy

Hemlock Semiconductor, 1,152 jobs , \$1.1 billion invested in Thomas Twp

United Solar Ovonic, 563 jobs, \$120 million invested in Greenville

Adaptive Materials, 187 jobs, \$2.8 million invested in Pittsfield Twp

Compact Power, 298 jobs, \$18 million invested in Troy

Ricardo, 48 jobs, \$2 million invested in Van Buren Twp

Sakti3, 230 jobs, \$1 million invested in Ann Arbor

Thunder Bay Development, 368 jobs, \$15 million invested in Alpena

Dowding Machining, 358 jobs, \$7 million invested in Eaton Rapids

Danotek Motion Technologies, 313 jobs, \$7.8 million invested in Pittsfield Twp

Cobasys, 122 jobs , \$1.5 million invested in Orion Twp

# Life Sciences

MPI Research, 6,600 jobs, \$330 million invested in Kalamazoo

Xoran Technologies, 386 jobs, \$3.7 million invested in Ann Arbor

Cayman Chemical Company, 525 jobs, \$9.7 million invested in Pittsfield Twp

Caraco Pharmaceutical Laboratories, 1,648 jobs, \$15 million invested in Detroit

HandyLab, 138 jobs, \$3 million invested in Pittsfield Twp

Emergent BioSolutions, 952 jobs, \$73 million invested in Lansing

Pureflex, 366 jobs, \$7.3 million invested in Kentwood

The Tech Group, 164 jobs, \$13 million invested in Walker

Stryker, 165 jobs, \$20 million invested in Kalamazoo

NSF, 100 jobs, \$23 million invested in Ann Arbor Twp

# Advanced Manufacturing

Chrysler, over \$1 billion invested in various locations

Ford Motor Company, over \$1 billion invested in various locations

General Motors, over \$1 billion invested in various locations

Global Engine Alliance, 1,978 jobs, \$375 million invested in Dundee

American Mitsuba, 90 jobs, \$11 million invested in Brighton

Dow Corning, 164 jobs, \$22 million invested in Williams Twp

Mitsubishi Heavy Industries, 115 jobs, \$7.5 million invested in Sterling Heights

Infineon Technologies, 73 jobs, \$5 million invested in Livonia

Assay Designs, 238 jobs, \$18 million invested in Pittsfield Twp

Toyota Technical Center, 677 jobs, \$150 million invested in York Twp

# Homeland Security

Smiths Aerospace, 214 jobs, \$5.4 million invested in Cascade Twp

Sensicore, 338 jobs, \$4.7 million invested in Ann Arbor

General Dynamics Land Systems, 1,649 jobs, \$17 million invested in Sterling Heights

Ceradyne, 69 jobs, \$2.7 million invested in Wixom

American Systems Technology, 176 jobs, \$3.7 million invested in Troy

Second Chance Armor, 160 jobs, \$1 million invested in Central Lake Twp

BAE Systems, 1,019 jobs, \$58 million invested in Sterling Heights

Patriot Antenna, 56 jobs, \$3.5 million invested in Albion

Veridian, 366 jobs, \$39 million invested in Ypsilanti

# Overseas Investment Missions

Karmann USA Inc., 251 jobs, \$22 million invested from Germany

Eberspacher Group, 40 jobs, \$10 million invested from Germany

Robert Bosch Co., 475 jobs, \$66 million invested from Germany

Facton Incorporated, 93 jobs, \$1 million invested from Germany

Kostal of America Inc., 203 jobs, \$14 million invested from Germany

MBTech Autodie, LLC, 422 jobs, \$5 million invested from Germany

MS Automotive LLC, 106 jobs , \$23 million invested from Germany

EDAG, 140 jobs, \$9.5 million invested from Germany

FT Techno of America LLC, 56 jobs, \$30 million invested from Japan

Denso, 250 jobs, \$36 million invested from Japan

# Economic Diversification: New Tools to Attract, Grow Jobs

- ☑ Rebranding Our State – Travel, Business Ads
  - \$60 Million Investment, Biggest Ever
- ☑ Film Incentives
  - Most Aggressive in Country

# Next Step for Diversifying Our Economy

## **Pass Comprehensive Energy Reform**

- Energy regulatory reform
- Renewable portfolio standard
- Energy efficiency standard
- Create a new energy sector of Michigan's economy
- Create tens of thousands of jobs
- Ensure adequate energy supply
- Reduce reliance on out-of-state fossil fuels

# America's Energy Problem is Michigan's Economic Opportunity



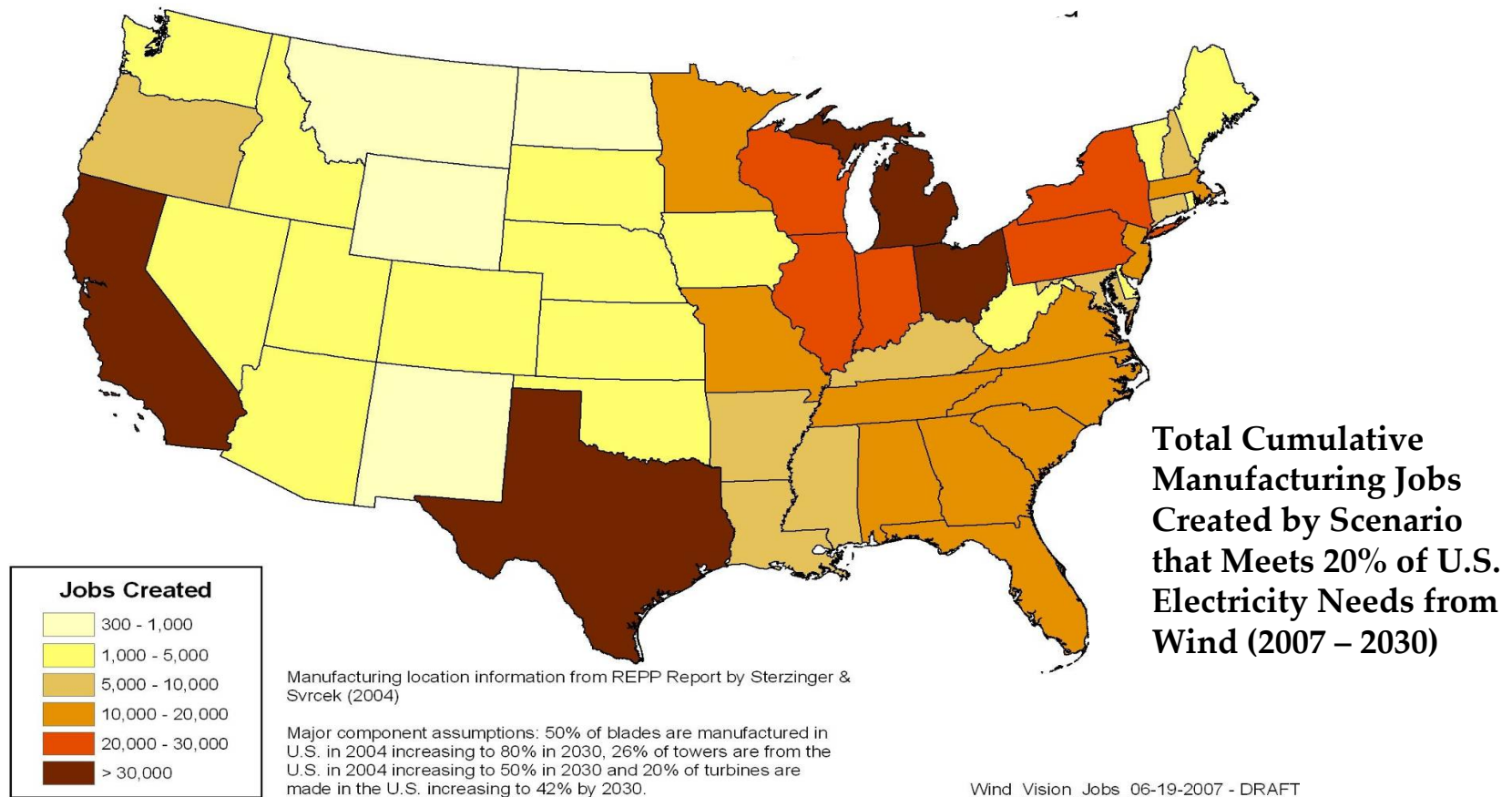
# Michigan Uniquely Positioned to Capitalize on the Coming Green Industrial Revolution

- Wind
- Wood
- Water
- Wheels...and batteries
- Waste
- Workforce
- W...Solar



# National Renewable Energy Lab

**With the Right Policies . . .  
We Can Create Thousands of New Jobs**



### 3. Government Reform – Making Government Cost Less

- ☑ Cut more out of state government than any Governor in Michigan history
- ☑ Fewer state employees than any time since 1973
- ☑ Michigan ranks 46th among all states in government employees per capita

# Government Reform – Making Government Cost Less

**Just last year, we enacted 26 reform measures, including:**

- ☑ **Public School Employee Benefit Reform**
  - School districts can shop competitive health insurance plans
  - Tightened vesting requirements
  - Increased teacher contributions
  
- ☑ **State Employee Benefit Reform**
  - 2003 - \$300 million in pay concessions
  - 2007 - \$300 million over 3 years in health benefit concessions
  - Eliminated benefit loopholes – no double dipping

# Government Reform – Making Government Cost Less

- ☑ Permitting Reform – Cutting Through Red Tape
  - 60% reduction in air quality permitting times
  - Over 200 permits available online
  - Online tax registrations – 6-8 week process now takes less than 5 days.
  - Center for Digital Government: MI #1 in state government IT since 2004
  - Next Step - One-stop permitting shop for businesses - One web portal, One number - piloting late this summer

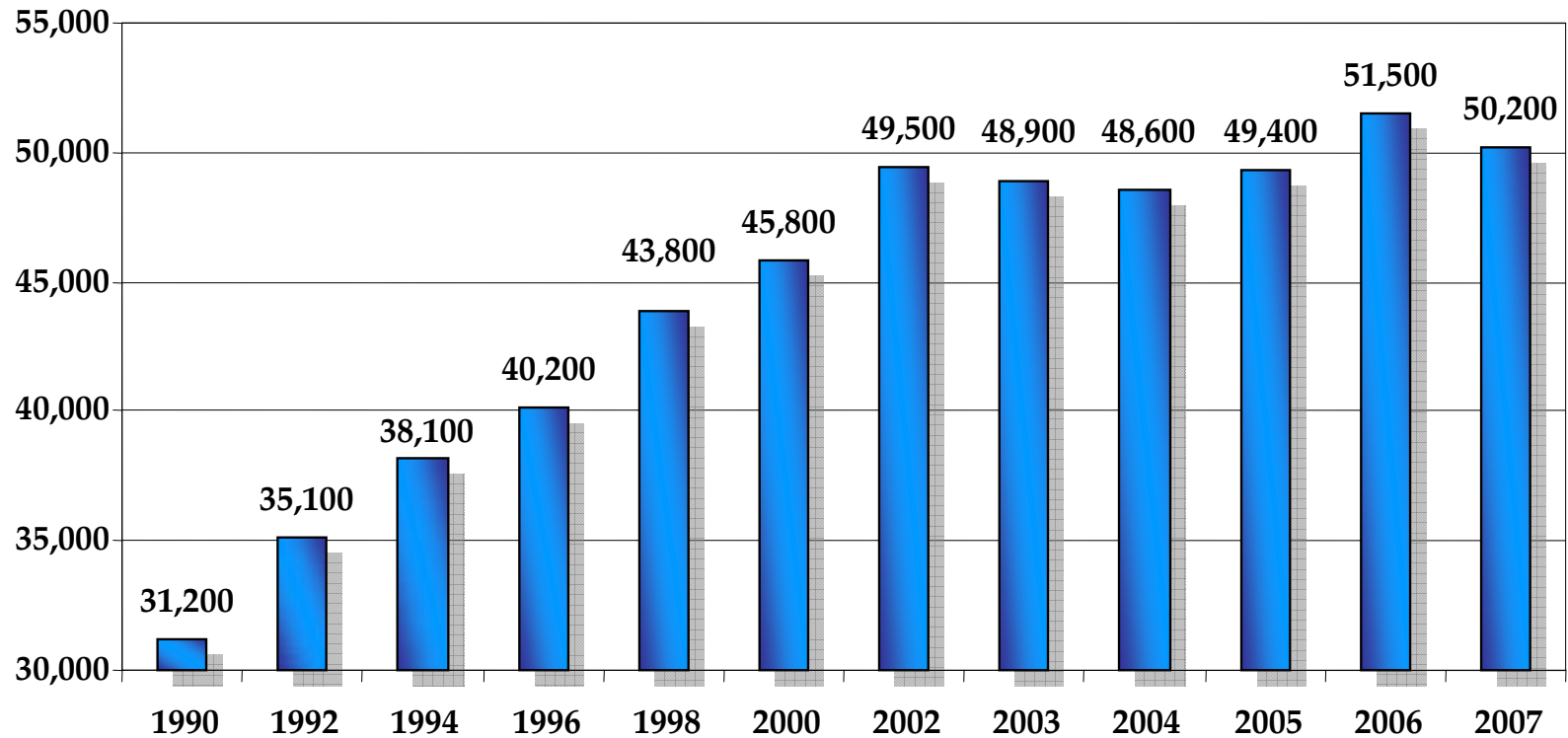
# Government Reform – Making Government Cost Less

- ☑ Contracting Reform
  - Ended no bid contracting
  - State contract savings total \$671 million since 2003
  - Buy Michigan First - 92% of contract dollars to Michigan companies.

## **Pew Center on States 2008**

- Michigan is 4th Best Managed State in the Nation

# Prison Population Has Increased 60% Since 1990



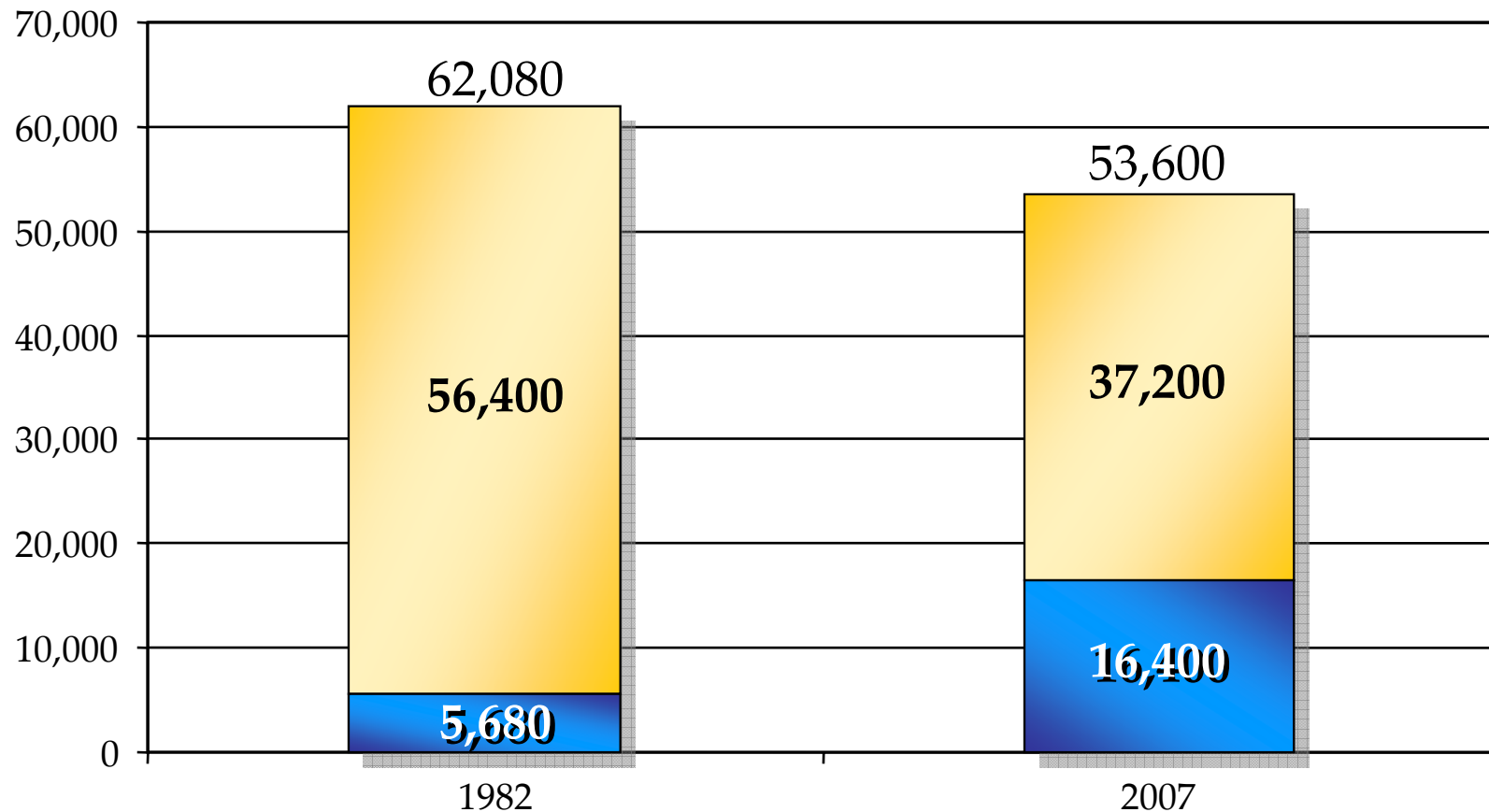
...while the population of the State of Michigan has increased by less than 10%.

Source: State Budget Office



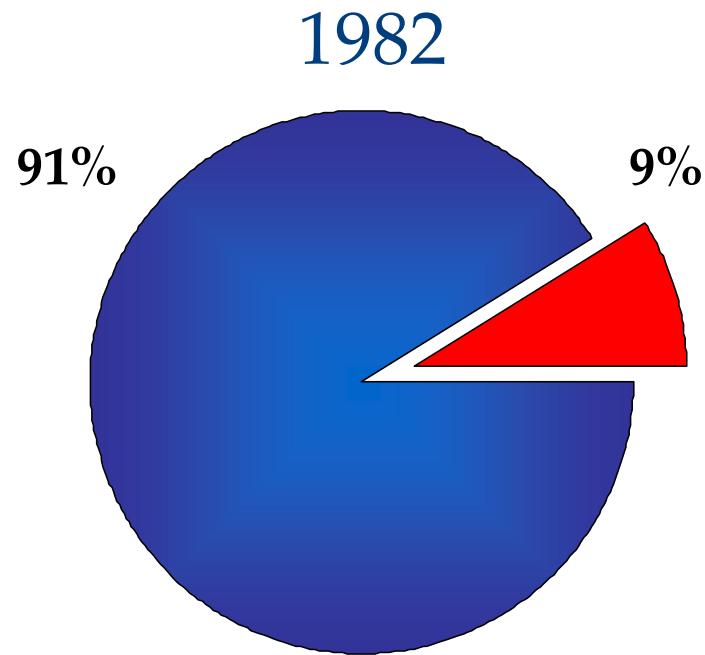
# Corrections Staffing Has Increased While Overall State Employment has Declined

Corrections staff up three-fold while overall staffing down 14%.

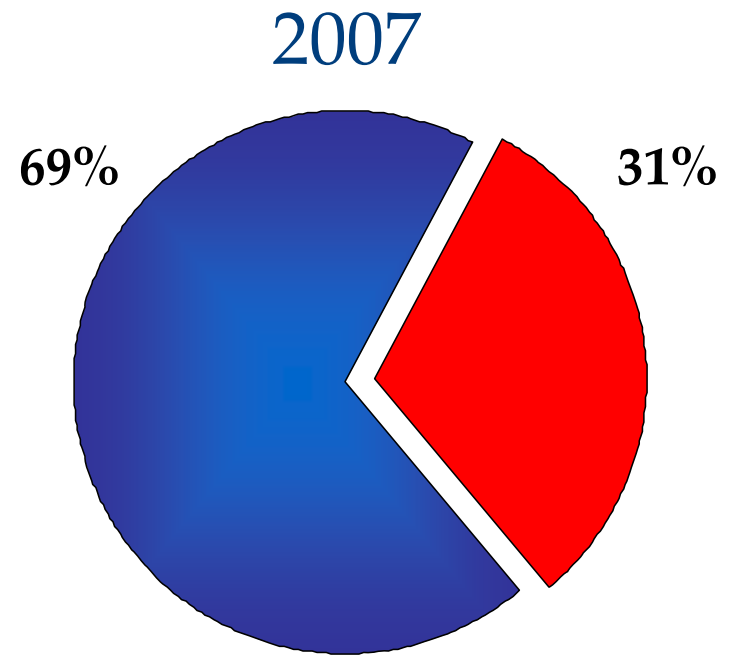


Source: State Budget Office

# 3 Out of Every 10 State Employees Now Works for the Department of Corrections



Total State Employees: 62,082  
Corrections Employees: 5,677

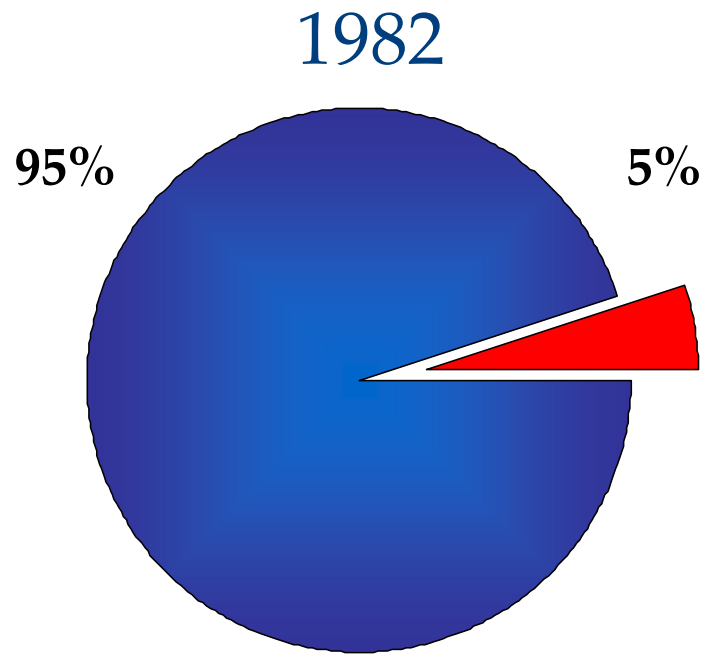


Total State Employees: 53,596  
Corrections Employees: 16,418

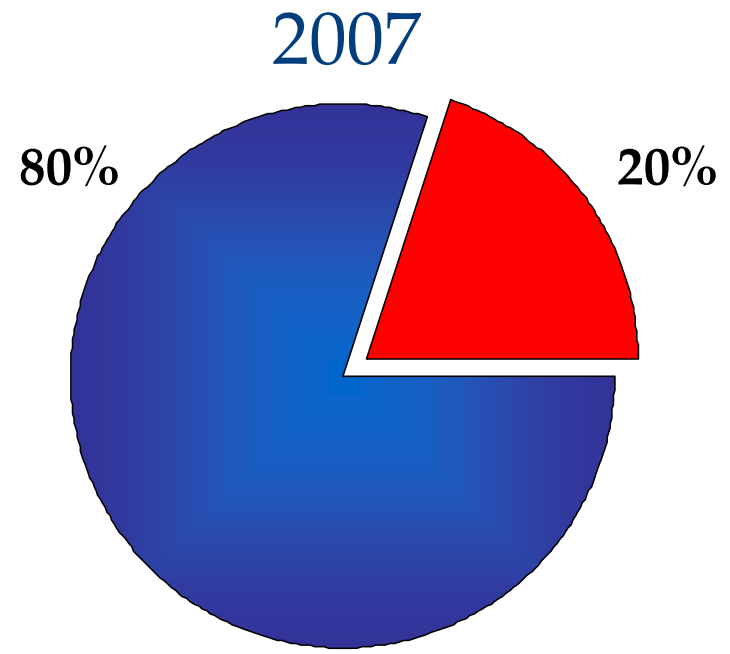
**... compared to less than one in ten 25 years ago.**

Source: State Budget Office

# Corrections Spending has Grown from 5% of All Discretionary Spending to 20%



Total GF/GP: \$4,457,300,000  
Corrections GF/GP: \$215,800,000



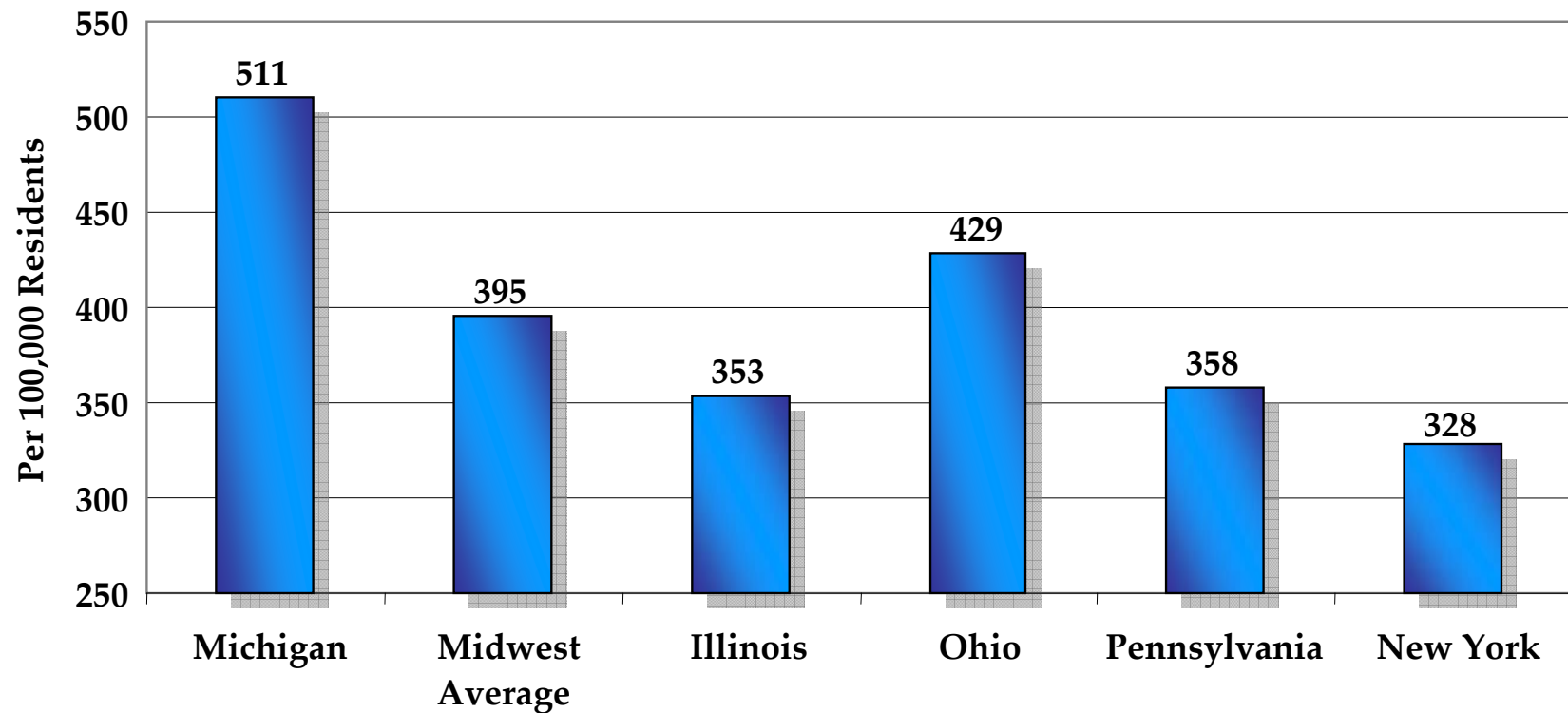
Total GF/GP: \$9,186,200,000  
Corrections GF/GP: \$1,866,400,000

**Corrections spending is almost 9X the 1982 level**

Source: State Budget Office

# Michigan's Prison Rate Out of Sync with Midwestern Neighbors

## Prison Rates - 2006



Source: US Census Bureau, US Bureau of Justice Statistics

# Next Step for Lowering the Cost of Government

## Pass Sensible Corrections Reform

- Already reduced corrections spending by \$560 million through belt-tightening since 2002
- Keep citizens safe and lower the cost of government through further corrections reform
- Distribute the savings in three ways
  - 1/3 Higher Education
  - 1/3 Law Enforcement
  - 1/3 MBT Surcharge Reduction

# Recap: Next Steps to Move Michigan Forward

- Create a Skilled, Educated Workforce
  - Pass 21st Century Schools Fund
- Diversify Our Economy
  - Pass Comprehensive Energy Package
- Lower the Cost of Government
  - Pass Safe, Cost Saving Corrections Reform

“People know we are in a jam. A large part of the problem is a cynicism, fatalism and negativity – a toxic mix -- shared by people in leadership positions.”

Phil Power  
Center for Michigan