

February 18, 2015

Testimony to the Senate Commerce Committee

At the Detroit Regional Chamber we strive to drive the rebirth of Detroit and the surrounding region through economic growth. As one of the most influential chambers of commerce in the country, our members look for us to collaborate with government partners in support of Michigan's reinvention and believe when the collective "we" are successful it is good for our members, the over 750,000 individuals they employ and businesses and families across the state. At the Chamber, we fulfill our mission through our four pillars of economic development, regional collaboration, education reform, and providing value to our members.

We believe that the work of this committee will be key to our ultimate success, and accomplishing our desire to see southeast Michigan, and the state as a whole, continue to grow economically. Those of you who are continuing previous service in the Legislature have made incredible strides over the past few years towards reinventing Michigan as a friendly place to do business, invest, and create jobs. The elimination of the Michigan Business Tax and Personal Property Tax, the creation of a new, simple, Corporate Income Tax, and the systematic approach to streamlining regulations are just a few examples of the important steps this legislature has taken.

In addition, the passage of the Grand Bargain, setting the stage for a successful emergence of a bankrupt Detroit, will continue to play an important role in this region's resurgence. This legislation was an impressive example of bipartisan leadership from all across the state to help our struggling city and region rebound from decades of decline, intensified by the great recession and automotive collapse.

Our region is showing clear evidence of recovery, with employment on the rise, investment throughout the city and surrounding counties, and a plan for the future. This is no small feat; southeast Michigan's eleven counties consist of 5.3 million residents, with a 2.4 million person labor force; this accounts for over half of the states total population.

The Chamber maintains a robust economic development portfolio and serves all eleven counties in our region in business attraction. The Chamber works to sell the entire region to site selectors and businesses across the globe. Our team coordinates, collaborates and fills in the gaps for economic development agencies of all sizes. They travel the globe representing all eleven counties at large trade shows and meetings with individual businesses seeking to match businesses with the right mix of location, workforce and infrastructure to make the Detroit region their home. The Chamber is agnostic about location within the region, rather our goal is to market the entire region knowing that jobs created in one municipality employ individuals from multiple cities and counties. So for example, our team is very likely to point a company in the defense industry to Macomb County, health care to Oakland County, international logistics to Wayne County and agricultural processing to Lapeer County.

The old saying goes that Detroit is automotive, and this still rings true today. In 2013, Michigan produced 2.47 million vehicles, outpacing the 2.33 million produced prior to the recession in 2007, and exceeding the next closest state by over 1 million vehicles. That same year, our state saw more than \$2.3 billion in new automotive investment, creating nearly 11,000 jobs. Automotive states around the

country are working everyday through statewide organizations to grow the industry that Michigan has historically taken for granted. Our MICHauto program, a statewide association not limited to the region, aims to fight back and allow Michigan to continue to be the global automotive leader by attracting, retaining, and promoting the automotive industry in the state. MICHauto will be focused on making sure that the next generation of connected and autonomous vehicles are designed and manufactured in Michigan.

Michigan's level of talented workers plays no small part in this success. Our state currently ranks #1 in mechanical and industrial engineers, #2 in mechanical engineering technicians, #4 in electrical engineers... the list goes on. This can be largely contributed to the fact that, according to U.S. News & World Report, Michigan has 16 nationally ranked universities and colleges in undergraduate engineering programs, and an additional four in graduate programs.

Today, Michigan leads the nation in OEM assembly plants (13), OEM components/materials plants (35), tool and die establishments (1,415), and parts manufacturers (1,415).

Despite this promising story, there are some very real and important concerns that require the attention of this state. Perhaps most importantly is the issue of talent and education. A thriving economy requires the talented workers to support it, and there are some troubling facts that need to be addressed if we hope to succeed as a state long-term.

In southeast Michigan, only 36% of our region's workforce (37% statewide) holds some level of a college degree. Experts predict that, by 2018, 63% of job openings nationwide will require at least some level of college education. In 2014, however, only 21% of Michigan's high school graduates were considered college or career ready. In major cities such as Detroit, Flint, and Pontiac, high school dropout rates are double the rates statewide.

Our students need to know early on that they have opportunities upon graduation, where those opportunities are, and that they have the necessary tools to succeed. The Chamber focuses on making the cost of a college education more attainable not only as a matter of public policy but also as part of our programming. Our Talent and Workforce team administers two scholarship programs for students in the City of Detroit. The first is the Detroit Community College Scholarship which we manage on behalf of the Michigan Educational Excellence Foundation and provides a last dollar scholarship to community college for any graduate of any school from Detroit. We also administer the Detroit Compact which, thanks to the assistance of the State's public universities and the Community Foundation for Southeast Michigan, provides a last dollar scholarship for graduates of Detroit Public Schools who meet certain academic and attendance criteria.

Education doesn't end, however, once people enter the workforce. The concept of life-long learning has never been as evident and necessary as it is in today's ever-evolving economy. Programs such as the Skilled Trades Training Fund and Community Ventures Program, which target incumbent workers and structurally unemployed workers, have both shown tremendous success in their initial years. These demand-driven programs align new talent with growth, and work as career pipelines, embracing career and technical education and the value of apprenticeships, guaranteeing jobs for participants at the completion of their training.

Michigan must continue to focus on maintaining a simple, consistent, and transparent regulatory and tax framework. Regulations on business should be set and maintained at the state level, avoiding patchwork requirements and encouraging expansion of businesses throughout the state; the

simplicity and ease of Michigan's new corporate income tax must be reflected throughout the rest of the state's tax code, and in the daily relationship which companies maintain with the Department of Treasury; and Michigan must maintain its status as a friendly and affordable place to do business.

Michigan must continue to support investment opportunities. Programs like the Michigan Business Development Program, Business Growth Fund, Capital Access Program, Private Activity Bonds, and the new opportunities being created through the Michigan Investment Marketplace keep our state competitive with peer and neighbor states, and incentivize the entrepreneurship and small business growth required for a successful economy. They do so while offering a greater amount of certainty through up-front appropriations as opposed to potential tax credits.

The MEGA program is a topic this legislature may likely discuss in greater detail over the coming weeks and months; as these discussions occur, we urge the members of this legislature to avoid the easy, but inaccurate, "look what MEGA did to our budget" dialogue, and strive to truly understand the purpose and successes of this program. It is easy to forget where this state, and our auto industry, found itself less than a decade ago. This program, specifically the Global Retention Credits created by the legislature in 2008, quickly became a key program as companies were scaling back and consolidating, urging them to "choose Michigan" in anticipation of an eventual economic recovery.

The increasing credit claims we have seen these past few years are a testament to our rebounding economy and the additional investment and job creation happening around our state. Programs such as MEGA have been vital tools of this recovery, encouraging investment and maintaining major employers such as Orion Assembly and Sterling Heights Assembly, two examples of the success of the MEGA program.

As this legislature continues the discussion of a strong business climate, there will certainly be other considerations, including the importance of a reliable and affordable energy market, strong intermodal freight routes through projects such as the New International Trade Crossing, the Detroit Rail Tunnel, and various port improvement projects, and affordable health care opportunities.

This committee, however, has a unique and important opportunity to tackle the essential issues related to developing a vibrant and talented workforce and a business climate designed for innovation and expansion. In order to succeed, we must think long-term, we must think competitively, and we must knock down the barriers to economic growth and job creation. We look forward to working with you as the legislative term continues and having the opportunity to go more in depth on the issues we've briefly discussed today. Thank you.

Sincerely,


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