Council for Labor & Economic Growth
Quarterly Meeting
Lansing Community College West Campus, MTEC- Conference Center
Monday, December 4, 2006
10:00 a.m. – 2:00 p.m.

MEMBERS PRESENT:

Wilma Abney
Lizabeth Ardisana
Kenneth Baker (via phone)
Lloyd Bingman, Ph. D.
David Binkley (via phone)
Harry Bonner, Sr.
Michael Bryanton (via phone)
Matt Brynildson (via phone)
Patrick Cannon
Matthew Chambers
David Eisler (via phone)
Michael Flanagan
Norma Hagenow
Doyle Hayes
Robert Jacquart
Janet Joseph
Mitzi King (via phone)
Frank Lopez
Alan Low
Juan Mestas
Timothy Nelson
Sharon Parks
Daniel Phelan
Hubert Price, Jr.
Sharon Rivera (via phone)
Jaye Shamsiddeen
Kester So
Marjorie Sorge (via phone)
Robert Swanson
Mitch Tomlinson
Marianne Udow (via phone)
John Van Wyck (via phone)
John Voorhorst
George Yost
J. Michael Zelley

MEMBERS ABSENT:

Derick Adams
E. Sharon Banks
Ted Blashak
Richard Blouse, Jr.
Antoon Brusselmans
Bradley Dyer
James Epolito
Christopher Fitch
Patrick "Shorty" Gleason
Dennis Hands
George Heartwell
John Hernandez
Thomas Hickner
Win Irwin
Eleanor Josaitis
Jack Litzenberg
Shelley Norman-Hill
Janet Olszewski
Gene Pierce
Sharon Peters
Gene Pierce
Phillip Power
Trenda Rusher
Alan Sanborn
Michael Schmidt
Patricia Shimmens
Buzz Thomas
Mary Thornton
Lynn Zuellig

I. CALL TO ORDER

Mr. Mitch Tomlinson, Vice-Chair, called the meeting to order at 10:15 a.m. and welcomed the Council members. Mr. Tomlinson acknowledged the newly appointed CLEG members: Ms. Lizabeth Ardisana, President and CEO of ASG Renaissance; Mr. Daniel Phelan, President of Jackson Community College; and Mr. Timothy Nelson, President of Northwestern Community College were in attendance. Other new members unable to attend are Mr. Patrick "Shorty" Gleason, President of the Michigan Building and Construction Trades Council and Marge Sorge, Director of Communications from Metaldyne. The Governor's Appointments Office is currently working on filling the remaining vacancies, including the Chair.

Mr. Tomlinson invited Director Robert Swanson to say a few words on the Department of Labor & Economic Growth's (DLEG's) initiatives. Director Swanson provided an update on DLEG activities, including the following:

- Microsoft approved DLEG's grant request for a $250,000 Unlimited Potential grant for two Michigan Works! Agencies: Flint's Career Alliance and Saginaw-Midland-Bay Michigan Works!. The grant will be targeting local adults with low math, reading, communication and information technology skills.

- The department has joined with the Michigan Credit Union League to help former manufacturing workers get the training for high-growth careers through the Career Transition Program. Credit unions across Michigan are providing some $40 million for unsecured, unguaranteed student loans to eligible credit union members who may require new or advanced training in a vocational or trade due to their situation in the job market. DLEG has earmarked an additional $1.5 million to assist these students with the cost of text books and $200,000 for career counseling and placement services.

- DLEG has partnered with the Department of Community Health to award $9 million in Accelerated Health Professional Training grants to 11 community colleges and universities to fast-track training to help meet Michigan's demand for nurses and other health care professionals.

- Michigan Rehabilitation Services (MRS) has received two prestigious awards from the National Rehabilitation Association (NRA). First, the Public Service Award is presented to MRS for its outstanding record of service to persons with disabilities. The second award from NRA is for "Excellence in Media" for its "Monday Bulletin on Services to Youth" electronic newsletter that is has published for the past 10 years.

- The State of Michigan recently received multiple awards for excellence in information technology at the annual awards ceremony for the National Association of State Chief Information Officers (NASCIO). These included the Michigan Business Portal which is a one-stop shop that allows new businesses to register more quickly, reducing the time needed to begin operating a business in Michigan by six to ten weeks.

Mr. Tomlinson provided an update on the Low-Wage Worker Advancement Strategy Committee. Mr. Tomlinson acknowledged the committee staff, Ms. Taryn Macfarlane and Ms. Adrianna Nichols. The committee has added new members: Ms. Lena Barkley, Julie McFarland, Mr. Mark Mitchell, and most recently Tami Janowicz from People's State Bank. The addition of a banking representative will provide the committee with the expertise needed for one of the key strategies of the group, which is to help those individuals who do not have a relationship with banking institutions.

The committee held a pilot poverty simulation on September 28 in Lansing. Area employers were invited and participated in a modified poverty simulation and were engaged in discussion after the simulation. Similar vulnerable worker simulations will be held in Detroit and Benton Harbor in early 2007. Council members were invited to attend the future simulations. The committee is also monitoring the Jobs, Education, and Training (JET) pilots.

Mr. Matt Chambers, Chair of the Accelerating Re-Employment Committee, updated the Council on the progress of SOLUTIONS. Currently 51 organizations have signed on to SOLUTIONS. Mr. Chambers invited all Council members to sign on to SOLUTIONS and to also solicit endorsements from organizations they are affiliated with. The committee is also researching the significant issues relating to soft skills.

II. ACTION ITEMS

Mr. Tomlinson explained the action items would now be presented in a consent agenda format, where non-controversial items will be approved as a group. If a Council member wishes to have an item voted on separately, it must be removed from the consent agenda. Council members were given the opportunity to do this prior to voting on the action items.

The Accelerating Re-Employment Committee has reviewed two of the regulatory items. Mr. Chambers stated that the Committee recommends Council approval of the modification to the State Workforce Investment Plan, and signature of the Acting Chair for the Workforce Information Core Products and Services Grant and Annual Report.

The action items on the consent agenda include approval of the following:

- June 5, 2006 quarterly meeting minutes;
- September 12, 2006 quarterly meeting minutes;
- 2007 Meeting Schedule;
- Modification to the State's Workforce Investment Plan; and
- Workforce Information Core Products and Service Grant and Annual Report.

A MOTION was made by Ms. Sharon Parks, CLEG member, and supported by Mr. Kester So, CLEG member, to approve the action items.

III. MICHIGAN BUSINESS TAX

Director Swanson gave a presentation on the Governor's Michigan Business Tax (MBT) proposal. The Governor's criteria for the new tax was provided and well as information on how the new tax will attempt to fix the problems with the current business taxes. Highlights of the MBT presentation included:

- Tax base consists of sales, assets, and income;

- Broad base allows for rate of 0.125 percent on sales and assets, which is the lowest rate in the country;
- Tax rate on profit just 1.875 percent
- Tax rate on profits well below any other state's corporate income tax rate;
- Broad base distributes tax fairly across economy and minimizes economic distortions;
- Includes special features for small businesses;
- Provides personal property tax relief;
- $150 million net tax cut for Michigan's businesses;
- The MBT encourages investment by exempting commercial and industrial personal property from the 24 mills levied for education;
- The MBT encourages employment by eliminating compensation from the state's business tax base;
- Incentives to create jobs outside of Michigan are removed with the 100 percent sales factor; and
- The MBT increases fairness by taxing profits more, broadening the tax base, and imposing a very low rate.

The floor was opened for questions and comments. Mr. Mike Zelley, CLEG member, asked if there had been any reaction to the proposal from the Chamber of Commerceand business community. Director Swanson stated the initial reaction to the tax proposal has been positive, and businesses are now running numbers to gauge how the tax will affect them. There has been very positive reaction from the small business associations such as the Small Business Association of Michigan (SBAM) and the National Federation of Independent Businesses.

Mr. Hubert Price, Jr., CLEG member, asked where the MBT proposal was in the legislature. Director Swanson stated the MBT was introduced in both Houses, and the Senate Finance Committee had their first meeting on the proposal. The Governor would like to see something happen with the proposal during the lame duck session, however this would be very ambitious. There are five bills that need to pass in order for the MBT to go through.

Mr. Chambers stated it appeared to him that this was being presented for informational purposes, and inquired if this was so or was the Council being asked to make any kind of recommendation. Director Swanson indicated he was presenting for informational purposes, but if the Council wished to offer support for the proposal, that would be welcomed. At this point there is nothing scheduled to formally review the proposal with the Council.

Ms. Jaye Shamsiddeen, CLEG member, asked about the impact of the loss of revenue for programs that relied on General Fund/General Purpose (GF/GP) funding if the MBT is not passed. Director Swanson said the revenue from the repeal of the Single Business Tax (SBT) would need to be replaced or programs will be affected. Forecasts for the 2007 and 2008 budgets show shortages in the in GF/GP based on the current tax

structure, so there will already need to be reductions made in programs. It is critical that the MBT replace the SBT. State matching of federal funds would also be affected.

Other comments included:

- If the tax works it would attract more businesses to the state and that would replace some of the reduction. More businesses coming to the state would produce more sales tax and profits tax.

- Taxes are usually not the major reason a business will relocate to a state, it is more of a workforce issue. Data that is available to support this would be helpful to the Council.

IV. MICHIGAN MIGRATION PATTERNS

Mr. Ken Darga, State Demographer from the Michigan Department of History, Arts, and Libraries, gave a presentation entitled Michigan Migration Patterns. Mr. Darga stated that regardless of what is presented in the media, Michigan's outward migration is not as bad as it is portrayed. Mr. Darga presented information on:

- Michigan's ranking with respect to net domestic migration;
- Domestic migration flows;
- Total net migration for Michigan from 1900-2000;
- Migration flows for persons under the age of 45;
- Unemployment rates from 1976-2005, in comparison with other states;
- State unemployment rates in 2005 relative to Michigan;
- The number of Michigan natives moving to or from Michigan from 1995-200;
- The components of migration out of Michigan; and
- The components of college migration.

Michigan had the lowest rate of out-migration in comparison to other states from 1995 to 2000. Some of the reasons for the low out-migration include the deep roots of individuals living in midwestern states and that Michigan is a good place to live due to its size, the water of the Great Lakes, and the fact that there are no large border cities to Michigan. The data presented showed that one of Michigan's strengths is that Michiganians tend to stay in Michigan and while there is still is room for improvement, this is strength to build on. Total net migration for Michigan is roughly in balance, and the net migration over time as improved relative to the 1970's and 1980's. Total net migration by age is positive for some key age groups. One of Michigan's weaknesses is that few migrants are attracted from other states due to Michigan's image and self-image.

Mr. Chambers commented that as someone who migrated to Michigan, his perception was that Michigan was Detroit. The image of Michigan is the problems associated with downtown Detroit, and this image is something that should be dealt with. The tourism and marketing campaign rolled out was remarkable in portraying Michigan, and we should capitalize on the same themes as it relates to economic development. In response,

Mr. Darga compared Houston to Detroit since they are similar in demographics, population density, and the whole range of social and economic characteristics such as education, unemployment, percentage of minorities, and poverty rate. In reality, Detroit is comparable to many urban areas in the country, and the problems Detroit faces are common in almost all urban areas.

Mr. Lloyd Bingham, Jr., CLEG member, added the comment that while people perceive Michigan as Detroit, we ourselves perpetrate that perception, and that is something we need to be careful about. Detroit is actually a good place to live, with several cultural perspectives and cultural themes going on. He then asked Mr. Darga if he could break down the category of "Other" as it relates to out migration. There is no way to decipher the "Other" category, since the Census Bureau only tracks college student and military personnel.

V. A LOOK AT MICHIGAN"S EMERGING NEW ECONOMY

Mr. Douglas Drake, Senior Policy Consultant from Public Policy Associates, talked about what is going on with Michigan's economy. The companies that dominate the major industry in our state are in a battle to save their lives. Just as the good times for the domestic Big Three automotive companies have driven Michigan's economy in past periods of economic prosperity, the current hard times for these companies account for a significant portion of our state's economic weakness.

However, the news is not all bad. Economies are always changing, and while the transitions can be painful, the results often produce greater strengths. Growth of the new Michigan economy is already underway. Growing sectors of the economy added jobs, led by education and health services, and job loss appears to be concentrated among old economy sectors and industries.

Michigan cannot thrive until one or both of two events occur:

- These companies return to prominence and drive our economy as they have for the last century; or
- These companies reach a state of equilibrium that halts the loss of market share that has been bleeding them-and Michigan- for nearly a decade.

The question confronting Michigan policy makers today is how to respect the past and to prepare for the ongoing future role of the auto industry while focusing on change and investment on newer economy industries and sectors.

Mr. Zelley asked why the domestic automotive industry couldn't turn itself around. Mr. Drake explained that there is enormous potential for a future in transportation, alternative energy and fuels, and hybrid vehicles. The state of Michigan is reasonably positioned and is working on having the development of these industries happen here. Michigan is the world headquarters for automotive research and development (R&D) due to the

automotive industry here in the state, and also the University of Michigan. This is something we need to build upon.

Mr. Chambers inquired as to whether there was a connection between the jobs lost and people migrating out of Michigan. Mr. Drake stated that in the first quarter of the year labor market information integrates employment data with census data, and research can be done at that time to see the connection.

Mr. Harry Bonner, Sr., CLEG member, asked how public policy would deal with the comments made earlier about Detroit and other major cities in Michigan such as Flint and Benton Harbor. These larger cities have major social issues and if these cities are not recovering, neither will our state. Mr. Drake agreed that the major cities need to thrive in order for Michigan to thrive, and there needs to be a tremendous investment of education, workforce development, and job training and re-training.

V. PUBLIC COMMENT/OTHER BUSINESS/CLOSING REMARKS

Mr. Tomlinson offered the opportunity for public comment and there was none.

Council members were encouraged to fill out the evaluations because they are used for agenda development. The next CLEG meeting is on March 5, 2007 from 9:30 a.m. to 1:3 0 p.m. in Lansing at the MTEC.

There being no further business, Mr. Tomlinson adjourned the meeting at12:45 p.m.

In accordance with the Americans With Disabilities Act, the information in these minutes will be made in alternative format (large type, audio tape, etc.) upon request.

Approved March 5, 2007