

Benchmarking the Michigan Economic Development Corporation (MEDC)

Michigan House of Representatives

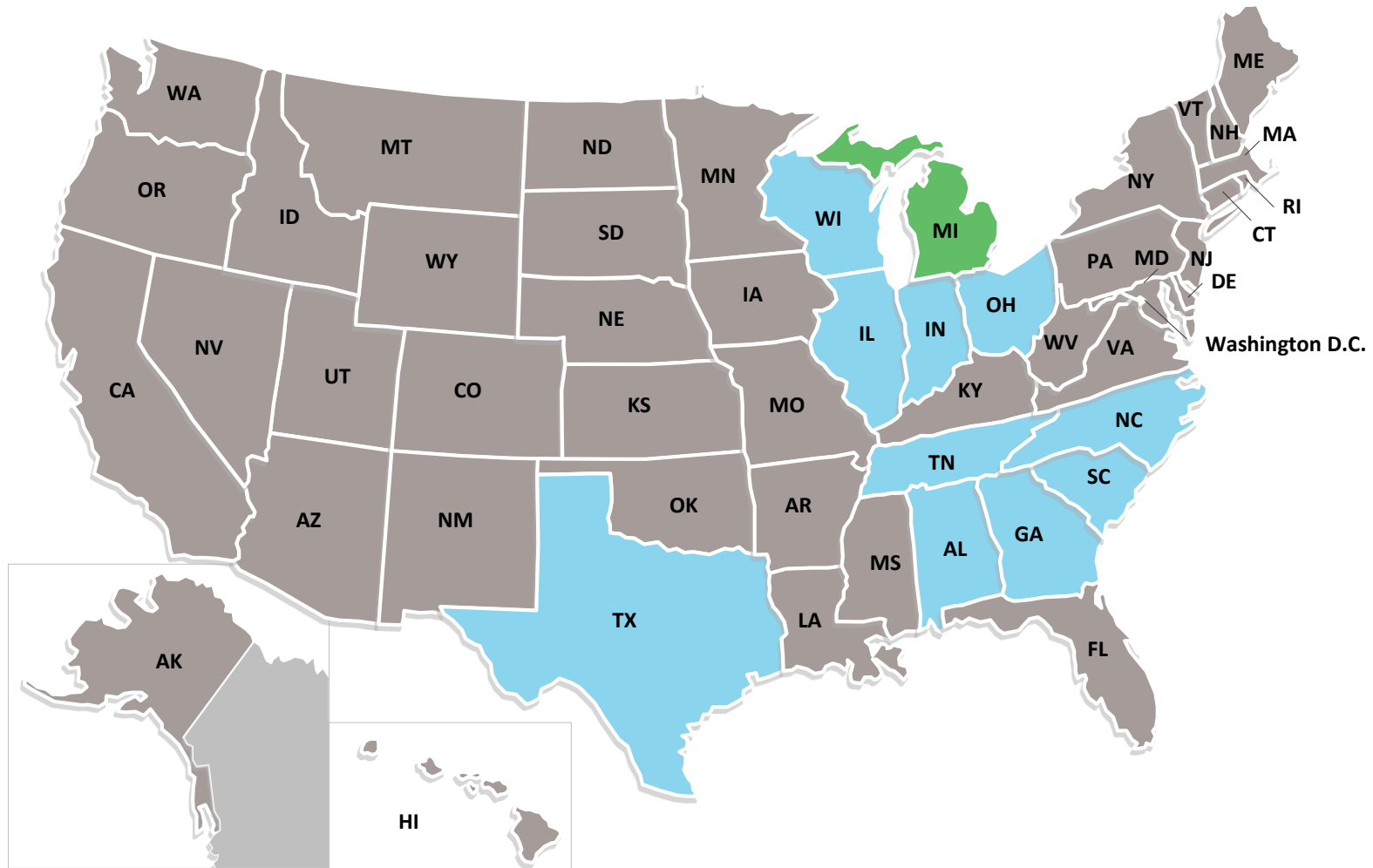
Tax Policy Committee

October 30, 2019

Presentation Overview

- Background
- Major findings
- Comparison to peer states
- Recommendations
- Q&A

Background: Ten Comparison States



Background: Approach

- PSC's analysis examined both Michigan's and the ten peer states' economic development organizations (EDOs) and practices through a review of:
 - Strategies, visions, and goals
 - Tactics
 - Metrics
 - Audience segmentation
 - Lead generation process
 - EDO structure and organization (e.g., by region, industry, or program)
 - Division of functions among agencies and across partners
 - Budget analysis (e.g., agency funding, incentive funding, tax credits, and annual appropriations)
 - Staffing model analysis

Major Findings

- Incentives, especially tax incentives, remain common across states but are increasingly seen as risky—so their style, size, and design matter more than ever.
- Talent development is a powerful and underutilized business-attraction tool.
- Economic development strategies that emphasize growth from within have proven more effective at delivering job growth at a lower cost than big business-attraction efforts.

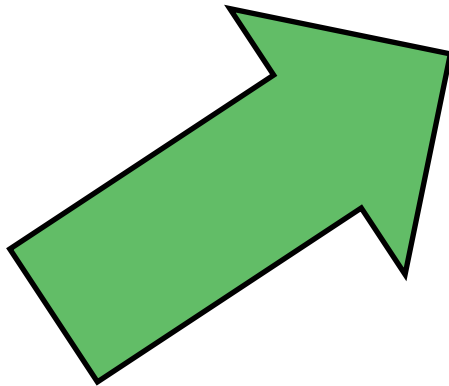
Major Findings

- Organizational structure matters.
- Economic inclusion is increasingly a priority as states recognize that rising inequality hinders economic growth and community development.
- Community development is ripe for innovation.
- Policymakers are increasingly demanding data on the performance and value of incentives.

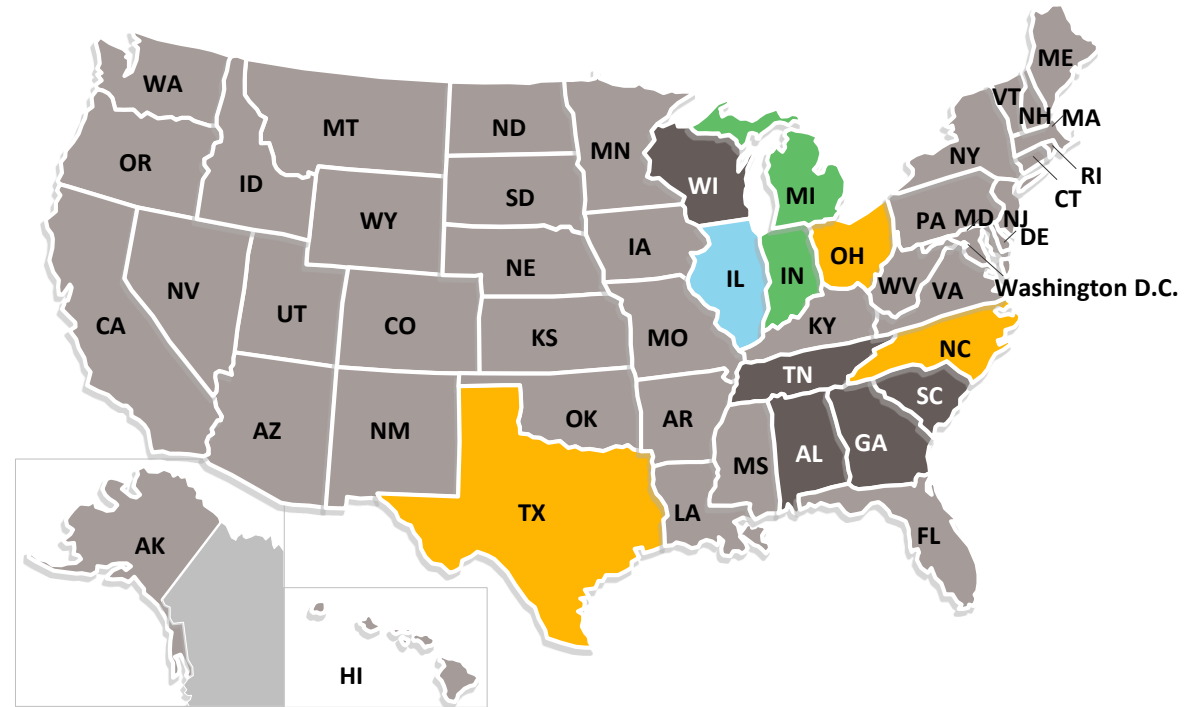
Comparative Analysis: Leading

Where Michigan Is Leading

- Growing from within
- Business and community development parity
- **Organizational structure and focus**



State EDO Organizational Structure



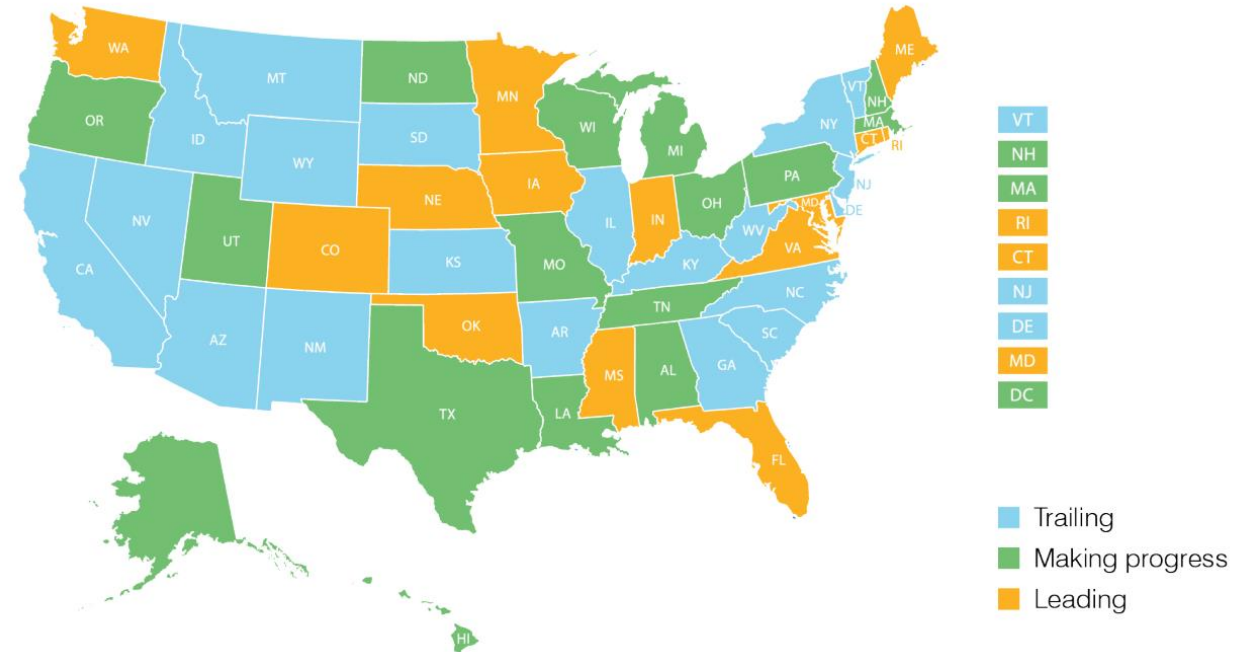
Comparative Analysis: Competing

Where Michigan Is Competing

- Business-attraction tools
- Strategic alignment
- Economic inclusion
- **Evaluation**



State Tax Incentive Evaluation Ratings

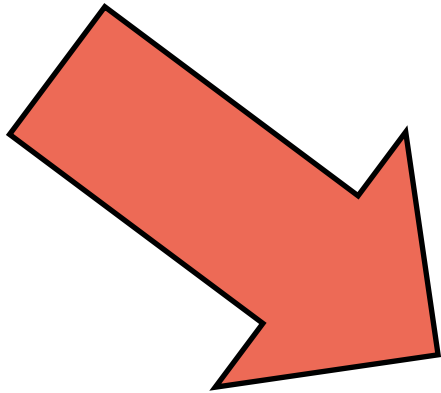


Source: Pew Charitable Trusts (2017)

Comparative Analysis: Lagging

Where Michigan Is Lagging

- Talent and workforce development
- **Funding**



When accounting for the size of a state's economy, Michigan's level of funding for economic development lags behind its high-performing competitors. Michigan would need to invest an additional **\$247 million** to match the investments made by its top competitors.



Investment Recommendations

- Improve the strategic alignment between state and regional EDOs by providing centralized leadership through the MEDC, which can leverage its staffing expertise and unique public-private organizational structure.
- Explore and link innovations in economic inclusion, including geographic incentives, procurement targets, and offices dedicated to the support of minority and disadvantaged businesses.
- Adapt and scale promising practices like Pure Michigan Business Connect.
- Use talent and infrastructure development strategies as first-tier economic development tools.
- Utilize targeted grant- and performance-based incentives.
- Leverage and expand requirements for regular and rigorous evaluations.

Questions?





PUBLIC SECTOR CONSULTANTS

 PUBLIC SECTOR CONSULTANTS

 @PSCMICHIGAN

PUBLICSECTORCONSULTANTS.COM