Research Findings Relevant to Proposed Make It In Michigan Fund

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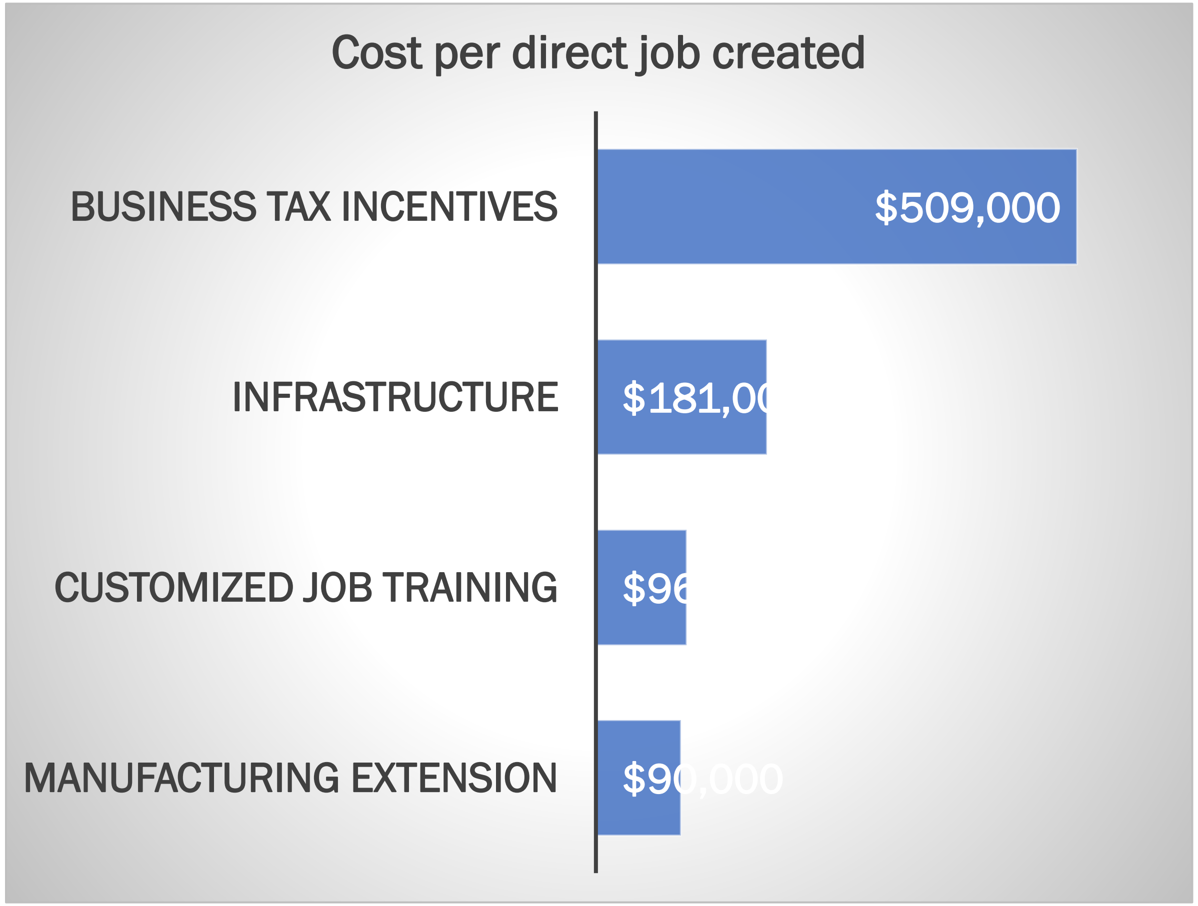
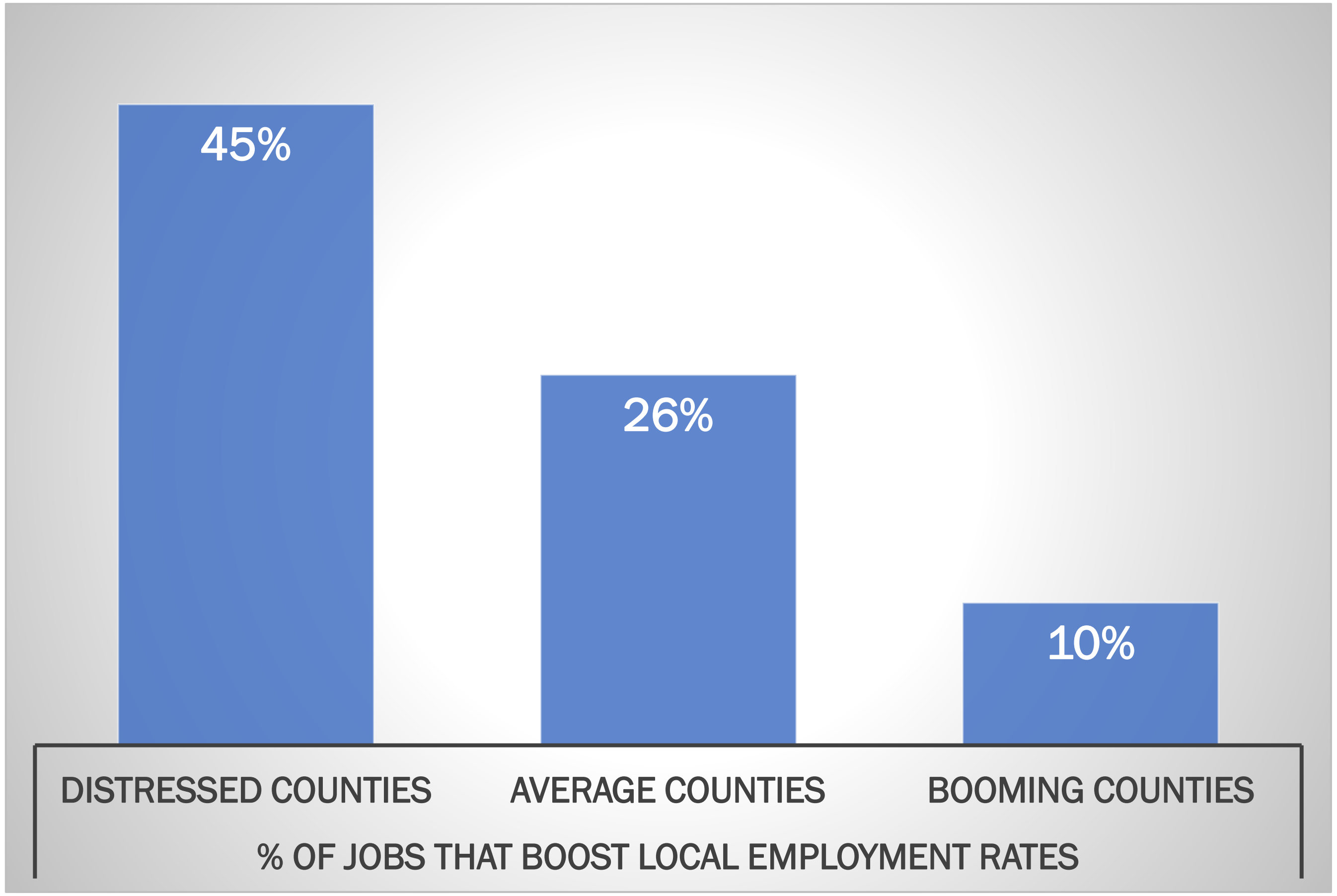
Research finding 1: Shifting a state's mix of incentives towards customized business services, and relying less on cash incentives has key advantages: (1) services more cost-effective; (2) services have automatic clawback; (3) customized training can get more needy workers into hiring queue.



Therefore, proposed Make It In Michigan Fund requirement that 20% of funds go to services is likely to make incentives both more effective and more inclusive.

In long run, Michigan should support such customized services even if not tied to large projects. But these reforms move us in that direction.

Research finding 2: Benefits of job creation projects much higher if in distressed counties, or if projects coordinate with local training & support services for workers



Therefore, provisions in proposed Make It In Michigan Fund to favor high unemployment areas, or projects with ties to job training, make sense.

"State economic impact" in project selection should be defined not as boost in state personal income or earnings, but boost in income or earnings *per capita*.

Research finding 3: Incentive programs should be subject to budget constraint, ideally % of gross business taxes

- Why budget constraint: Incentives should not squeeze out key public services that support economic development, such as public schools, universities, and early childhood programs.

- Why % of business tax revenues: Although well-designed incentives also benefit general public, immediate beneficiary is business sector. Net business tax revenues should make some contribution to supporting state public services.

- Therefore, over long-term, any state incentive fund – including proposed Make It In Michigan Fund – should be part of overall state incentive budget that is % of gross business tax revenue.

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Summary: research-based reforms

- Put more resources into customized services to support economic development, starting with 20% requirement.
- Target unemployed or under-employed in job creation programs, either by targeting distressed places, or coordinating with local workforce programs that can get the unemployed to get and keep jobs.
- Economic development incentives should have budget constraint of some % of gross state business tax revenue.