Testimony Presented to the Senate Committee on Economic and Community Development
SB 559-562 – Make it in Michigan Fund Reforms

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Good afternoon Chair McMorrow and members of the Senate Committee on Economic and Community Development. My name is Rachel Richards, Fiscal Policy and Government Relations Director at the Michigan League for Public Policy. For those of you who are not yet familiar, the League is a nonpartisan research and advocacy organization that promotes economic opportunity for all and analyzes the impact of public policy and budget decisions on the lives of Michiganders who have been historically and systemically left out of prosperity. We are the only statewide policy organization to address poverty in a comprehensive manner, and we do so by advocating for policies that address immediate issues affecting Michiganders today but also attempting to tackle the upstream issues causing the outcomes we currently see. The League is also the state's Kids Count organization working as a part of a national effort to measure the well-being of children at the state and local levels and to shape efforts that improve the lives of Michigan children.

The League supports Senate Bills 559-562, sponsored by Senators McMorrow and Cavanagh, which will provide increased guardrails, transparency and accountability to one of Michigan's largest economic development funds, the Make it in Michigan Fund, or what was formerly referred to as the Strategic Outreach and Attraction Reserve (SOAR) Fund.

It's not common for the League to be testifying on an economic development package. In fact, we are often on the other side of the issue. For us, child care is economic development. Education is economic development. Strong worker benefits and social safety net programs are economic development. Affordable, accessible housing and transit are economic development. And investing in thriving and vibrant communities is economic development. Without these investments in Michigan's people, the state fails to attract and retain both workers and employers.

However, if states are going to use economic development incentives—and Michigan currently does—we should make sure that the programs are set up to provide a significant benefit to the communities, workers and families in which these employers locate. The result of economic development incentives should not simply be landing the project but also making sure the project leaves the state in a better place. We should make sure that we aren't just chasing jobs, but good jobs. And we should ensure that the programs we have are effective at meeting their goals. This package of bills helps improve one of our existing programs in the following ways:

- Improves transparency and accountability around the projects being funded through the Make it in Michigan Fund.

- The addition of factors the state must use in determining which projects are funded, including whether the project will be located in an economically disadvantaged community; whether the potential business provides access to employer-sponsored benefits, like healthcare, paid family and medical leave, or retirement opportunities; whether the potential project has downsized or laid off workers recently; and whether the project has engaged with the community in which it intends to be located.
- Adds these economic development tools to the Economic Development Incentive Evaluation Act, which requires the state to periodically evaluate the effectiveness of various state economic development incentives. This requirement was created in 2018, and the League supported its enactment.

A key piece of this legislation is the requirement that at least 20% of the total award under the Make it in Michigan Fund must support the community in which the business is located. These funds will not go to the business directly nor will they be used to directly benefit the specific site of the business. Instead, municipalities, certain educational institutions, or community organizations, among others, would receive the funds to benefit the community and indirectly benefit the locating project. These organizations would then use the funds to improve community needs such as workforce programming and training, the expansion of childcare, mental or behavioral health services, youth programming, infrastructure improvements like water and transit, a housing analysis to identify current and future housing needs, or other community resources like broadband and green space preservation.

We are an organization that both follows the data and listens to our community partners to inform our policy decisions, and both of those continually show that the need for investments in these areas—child care, affordable and accessible housing, safe drinking water and public transit—is high. Additionally, community needs differ, and ensuring that there is community input in what investments will be made with these funds is necessary.

Based on an analysis by Michigan State University, there are 20 counties in Michigan where at least 3 children under the age of 5 are competing for a single child care slot—otherwise known as a child care desert—which results in families unable to access care of any kind, let alone affordable care. And some communities have a complete lack of slots available for infants and toddlers, who have the highest care needs of any age group. This lack of care has a significant impact on our overall state economy. A recent report details that we are losing an estimated $2.88 billion in annual economic activity due to the lack of affordable, accessible child care.

What's more, nearly 1 in 4 Michigan households has a high housing cost burden, where housing costs exceed 30% of a household's income, with rates higher for renters and for persons living in urban communities. A recent report by the Lumina Foundation found that only 50.5% of Michigan working-aged adults (25 to 64) had a postsecondary credential or degree in 2021. And while the statewide unemployment rate is currently 3.7%, disparities exist among zip codes, genders and race, and our labor force participation rate remains low.

A recent example of how this has worked in in practice is the Amazon HQ2 project in Virginia. While a portion of the Virginia proposal was typical economic development incentives paid directly to the business or provided in a way that would directly benefit the business, a key component of the proposal was a significant investment in education, focusing on future talent in the tech space. Virginia landed the project over other states that promised larger direct payments and investments in the business itself. While earlier this year, Amazon announced they'd be pausing the construction of the HQ2 office due to economic conditions and remote workforce, the investments in education will continue to benefit the community, as they were not provided directly to the company. Ultimately, regardless of whether the proposal continues to move forward, Virginians have benefitted and will benefit from the education investments, and the project ultimately leaves the state in a better position.

We recognize that this legislation will not solve the holistic needs of the state. A recent report notes that the state needs over $3 billion in additional investment in child care to ensure affordable, accessible, high quality care that provides providers and workers a living wage and benefits like healthcare. Infrastructure needs an additional $3.9 billion annually according to one study, and another notes that our schools face a gap of $4.5 billion to adequately educate our children. These are holes created after decades of disinvestment and years in which there were not enough revenues to meet current needs. We also recognize that future evaluations may determine retooling of the criteria to make sure we are landing good jobs, with standards around pay that are geographically and occupationally aligned and safe working conditions. And while no one tool will reverse these outcomes, we must start having a conversation around a comprehensive approach to addressing these community needs.

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