

Michigan Manufacturing Agenda

Moving
Michigan
Ahead



Moving Michigan Ahead

The **challenge** for Michigan is to create **good paying jobs** by encouraging the **growth of manufacturing** in our state.

Manufacturing is not only the foundation of Michigan's economic strength, it is the key to future prosperity. In the past decade, Michigan manufacturers created more than 81,000 jobs. Those jobs paid 27 percent more than the state's average wage. In the global battle for manufacturing supremacy, we have invested much in building our manufacturing heritage, and that investment continues to generate benefits.

MMA believes it is important for state government to create a climate that allows companies currently doing business in Michigan to grow, and attracts more companies to the state. As we increasingly compete against lower cost locations throughout the world, Michigan must provide a more competitive environment for manufacturers.

For 100 years, the Michigan Manufacturers Association has been the voice of the state's industrial sector, helping move Michigan ahead by ensuring that policymakers at all levels, of all parties, understand the needs of the companies that produce the tangible, useful products that create wealth and improve our quality of life.

Michigan today has an opportunity to build on the foundation of the past as it creates a new era of prosperity. There can be no doubt that manufacturing is the engine of our state's economy. With growth and prosperity as our premise, the Michigan Manufacturers Association is proud to offer the Michigan Manufacturing Agenda.

Michigan Manufacturing Agenda: Moving Michigan Ahead

- Health care cost control
- Fulfilling the commitment to reduce business taxes
- Rational environmental protection
- Holding the line on litigation reforms
- Giving families a choice in education



Moving Michigan Ahead The MMA Michigan Manufacturing Agenda

Thank you for taking a few minutes to review MMA's Michigan Manufacturing Agenda. We've tried to provide busy policymakers with an overview of the key issues that our members tell us hinder their ability to create jobs and opportunity in Michigan.

Overall, we believe Michigan's job environment has improved in recent years. We encourage Governor Jennifer Granholm and the Michigan Legislature to continue this progress and to focus on the new, emerging issues. Less than rigorous pursuit of solutions to key tax, legal, health care, environmental and education issues would be detrimental to the state's manufacturing future.

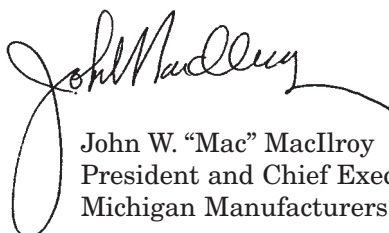
You might not be surprised to hear that controlling health care costs is the leading concern of manufacturers. Manufacturers almost universally provide health care coverage to their employees in Michigan, and the skyrocketing cost increases of recent years are a serious concern. We recognize the complexity of this issue, but we offer some practical ways to tackle health care costs head on.

Our members also want to remind state policymakers of the agreement to slowly roll back the state's Single Business Tax when revenues are available. The tax is a major factor in Michigan's ranking as the 9th highest-cost state in which to do business and must be phased out. We support the current agreement to pause the reduction, recognizing the state budget difficulties. But we believe that the reduction of this tax, paid primarily by manufacturers, will bring more growth — and ultimately, more jobs and tax dollars — to our state.

Other issues that top our agenda include creating a thoughtful, science-based environmental policy, holding the line on tort and product liability reforms, and moving ahead with educational choice for families to encourage all schools to improve. You'll find details in the pages ahead.

These aren't all the issues the MMA advocacy team and our members will be discussing with you in the months and years ahead. But they lead the list. We look forward to joining you as we all pull together to move Michigan ahead.

Sincerely,

A handwritten signature in black ink that reads "John W. 'Mac' MacIlroy". The signature is fluid and cursive, with a long, sweeping underline that extends to the left.

John W. "Mac" MacIlroy
President and Chief Executive Officer
Michigan Manufacturers Association

Controlling health care costs



Problem

Michigan health care insurance costs are among the highest in the nation. The average cost per single employee in 2000 was \$2,808, compared to \$2,654 nationally. And the cost for family coverage is even higher — three times higher — on average. Costs have increased at double-digit rates in recent years and will continue to spiral unless action is taken. Unlike other sectors, virtually all of Michigan's manufacturers provide health care coverage for workers, so this issue hits the entire manufacturing industry extremely hard.

Background

Michigan manufacturers have taken a leading role in providing health care coverage for their employees, helping the state rank near the top nationally in rates of private insurance. But such coverage is becoming a serious drain on private companies' coffers, soaking up an increasing share of revenues needed for reinvestment in today's fast-paced, highly-competitive industrial economy.

Hospitals contend that they must charge insurers more to make up for shortfalls in payments for state and federal Medicaid and Medicare programs. But increasing taxes for those programs will only hurt manufacturers, who already are bearing the brunt of health care cost escalation.


Health care costs are rising in part because consumers don't consider costs as they make health care decisions. Out of every \$1.00 spent on health care in Michigan, employers or government programs pay 79 cents. We need to encourage more private coverage and build consumers' awareness of the costs of providing medical coverage and the economic stake they have in the system. All of us, as health care consumers, need to take a more active, informed role in our health care choices.

Recommendations

Health care dialogue: MMA calls on Gov. Granholm and the Legislature to work with employers to seek ways to control spiraling health care costs to ensure our state remains competitive. Discussions should focus on cost reduction — not revenue enhancement.

Replace state mandates with cafeteria-style plans: Health care consumers and purchasers should be free to select benefits that best suit their particular needs, and not be shackled by expensive mandates. The Legislature should review all state-mandated health benefits and consider abolishing some and lowering the required dollar amount of coverage on others.

Encourage businesses to provide coverage: Employers who provide health care benefits are penalized through the Single Business Tax health care add-back tax. This tax should be eliminated to encourage more businesses to provide coverage. In addition, state tax incentives should be provided for employer-sponsored Medical Savings Accounts, which give consumers more choice and control over health care use and coverage.

Provide tax incentives for employers to provide catastrophic coverage: Manufacturers could reduce costs significantly by opting for catastrophic-coverage-only plans that cover medical expenses of more than \$3,000 while encouraging families to deposit the amount saved into Medical Savings Accounts to pay for routine services. Companies have reported saving as much as 40 percent using this approach, which encourages consumers to consider costs as they seek health care. 

Fulfilling the commitment to reduce business taxes

Problem

Michigan's taxes on businesses are some of the highest in the country, and they fall heaviest on manufacturers. The Single Business Tax (SBT) and personal and real estate property taxes combine to make Michigan an expensive place in which to do business. Recent actions have narrowed the Single Business Tax base so that fewer and fewer companies are paying an increasing percentage of this business tax.

Background

After years of talk, the state has finally started to become more competitive by lowering the tax burden on Michigan companies. Our state's tax burden is a major disincentive to those looking to grow or locate here.


In the past, the state has sought to lower that burden by selectively exempting certain businesses, which has narrowed the tax base. The Proposal A property tax reforms have helped control real estate property taxes. But the most important step in cutting tax costs to businesses was the decision to phase out the SBT over many years, with agreement to pause the reduction when the state's Budget Stabilization Fund dips below \$250 million. The phase out has given hope to many businesses around the nation that Michigan is finally on the right path in this critical area.

Recommendations

Keep the SBT deal: MMA supports continuing the SBT as long as Michigan continues the long-term phase out, paused only when the budget surplus dips below \$250 million. We do not believe discussions on a replacement for the SBT will be useful, and we are particularly concerned about efforts to continue shrinking the tax base by exempting more businesses.

Expand the SBT base to cover large corporate farms: Family-based agriculture should continue to enjoy an exemption from the SBT, but corporate farms should be taxed like other businesses.

Preserve Proposal A: Businesses received no property tax cut, but like other taxpayers, they received some relief from growing tax burdens because of limitations on school millage increases. Schools should continue to be prevented from seeking millage increases unless the increase is for an entire Intermediate School District to encourage appropriate sharing of resources.

Phase out or replace the Personal Property Tax: Another tax that falls heaviest on manufacturers, the Personal Property Tax, is anti-competitive and hard for taxpayers and local governments to administer. Few states are using this tax because it discourages companies from upgrading equipment, a critical step in meeting today's manufacturing challenges. The Personal Property Tax should be phased out or replaced. 

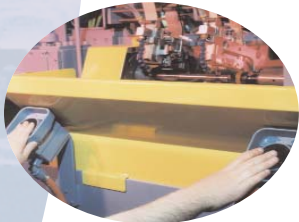
Rational environmental protection

Problem

Michigan has made significant environmental progress on virtually every front. This fact should be recognized and celebrated. Adding unnecessary laws and regulations without considering their specific environmental benefits and economic costs will make Michigan less competitive relative to other states without significant improvements in our state's air, land or water quality.

Background

Michigan's air, water and land today are significantly healthier than they have been at almost any time in the past 50 years. Business has already done much to minimize its impact on the environment. Sophisticated water treatment systems now protect Michigan's rivers, lakes and streams. Stringent air permits require substantial limits on emissions, resulting in dramatic improvements from even a decade ago. Even with its large industrial base, Michigan is in full compliance with all federal air quality standards.




Indeed, it can be argued that today much of our state's emissions stem from decisions made by individuals at home, not managers at work. Two-thirds of ozone emissions come from non-manufacturing sources. Lawn mowers, outboard motors, cars, backyard barbeques, lawn fertilizers, pesticides and homes that discharge sewage into outdated systems that overflow into rivers or use failing septic systems all substantially impact the environment. Imposing new limits on industry without addressing these incremental polluters leads to high costs without real results.

Recommendations

Increase permit efficiency: Manufacturers must be able to obtain permits in a timely manner. As facilities change processes to meet market demands, new permits are often required — frequently these changes result in lower emissions. Permit delays, whether due to under funding of key agencies or imposition of various boards for input outside of scientific fact, will mean delays of improvements or business opportunities and jobs.

Meet new federal regulations fairly: While Michigan today is in full compliance with all air quality standards, federal rule changes tightening criteria may cause some counties to be considered "non-attainment areas" (even though their air will not be any dirtier). The state may need to impose new regulations to address these areas. We urge the Legislature and administration do so by considering the substantial impact households and vehicles have on the environment. Manufacturers should not be forced to shoulder the majority of emissions reduction costs.

Address mercury regulations rationally: State-by-state regulation of mercury emissions does not recognize the world wide problem of atmospheric deposition of mercury. Cracking down on Michigan utilities will not mean significant reduction of mercury in the Great Lakes — but it will mean higher electric costs for Michigan manufacturers and families.

Keep the DNR and DEQ separate: Enforcing the state's fishing and hunting laws requires entirely different mind and talent sets than those needed to enforce the state's environmental protection laws. Most states and the federal government maintain separate departments. Combining the departments will set off a battle for scarce general fund dollars and could result in increased user fees on businesses seeking permits — another disincentive to locating a facility in Michigan. 

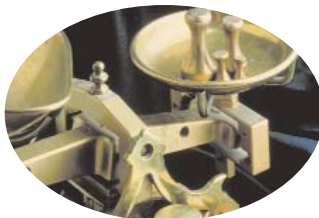
Holding the line on litigation reforms

Problem

For decades, Michigan manufacturers faced uncertainty when it came to product liability lawsuits. In 1995, the Legislature passed tort reform legislation limiting “judge shopping,” requiring those responsible for an injury to pay for that injury and capping most “pain and suffering” damages at \$280,000. The legislation, which was supported by local governments as well as businesses, has proven to be good public policy.

Background


In 1994, a national magazine ranked Michigan as having the 48th worst product liability climate in the nation. Our state allowed trial lawyers to seek lenient juries outside of the location of the accident. People could misuse a product — for instance, using a lawn mower as a hedge trimmer — then sue if hurt. Joint and several liability allowed accident victims to seek “deep pockets,” even though the sued company had little to do with the accident. And so-called “pain and suffering” damages gave juries permission to hand out multi-million dollar verdicts in addition to medical or work-loss costs. Businesses and municipal governments — including the Wayne County Corporate Counsel’s office — that were also at risk, joined to pass legislation that has worked to shut off unreasonable lawsuits, while fairly compensating those injured by defective products.



Recommendations

Maintain PA 249 reforms: The product liability reforms embodied in Public Act 249 of 1995 have been effective. A key provision is the cap of \$280,000 on non-economic damages except in case of death or permanent loss of a vital body function, in which case the cap increases to \$500,000. Drug company liability is eliminated if the U.S. Food and Drug Administration approved the drug. Most products used in compliance with government standards are exempt from liability. And liability is eliminated if a product user was aware of the risk and voluntarily exposed himself to it.

Maintain the reforms embodied in PA 161: Public Act 161 of 1995 instituted requirements that lawsuits be filed in the county where the injury occurred and discouraged lawsuits by a person more than 50 percent at fault. The Act also eliminated joint and several liability.

Don't institute automatic, indexed caps: Any increase in damage award caps should only come about after thorough discussion and debate in the Legislature. 

Increasing choice and competition in education



Problem

Michigan's schools have improved over the last decade, but much work remains to be done to ensure graduates have the skills to succeed, whether they go on to college, trade schools or directly into the job market. The state must continue to move toward giving parents and students more choices, which puts pressure on the traditional school system to innovate and improve.

Background

Today's children are tomorrow's workers — the managers and inventors, the broad shoulders and big minds, who will determine Michigan's economic future. Michigan's per-pupil spending is among the highest in the nation, but major increases in spending on existing schools will not alone bring the results we need.


The progress of the last decade stems from the end of the monopolistic K-12 system of a decade ago, and the introduction of parental choice into the education process. The ability of families to choose schools other than traditional local public schools — either charter schools or through schools-of-choice programs — has been a powerful catalyst for change around the state. Coupled with statewide measurements of educational progress through the Michigan Education Assessment Program, we have made significant progress.

Recommendations

Eliminate the cap on charter public schools: Charter public schools are a potent force for change. They are not a panacea, but they do provide hope for children in school systems that have decided not to react to parental demands. They also spur those school systems that decide to meet the challenges of competition head on.

Eliminate teacher tenure: Our current tenure system should be replaced with a merit pay system to reward innovative and effective teachers.

Maintain the teacher strike law: Teachers who choose to strike should realize they will suffer income losses, as do other striking workers. Enabling teacher strikes will not improve our education system.

Maintain the MEAP test: The Michigan Education Assessment Program gives education consumers — parents and employers — one way of measuring progress in individual school systems. It is an important tool in evaluating the changes educators make, both on a statewide and local basis. 

Michigan manufacturing's impact on the state

Diversity: Michigan has one of the most diverse manufacturing industrial bases in the world. According to the North American Industrial Classification System (NAICS), Michigan is represented in 229 different classifications of manufacturing enterprises.

Michigan remains first in the nation in automobile manufacturing, producing 30.9 percent of the nation's output, and is first in production of trucks (16.9 percent).



However, more than half of Michigan's manufacturing employment — 500,000 jobs — is unrelated to the auto industry. Without taking into account automotive manufacturing, Michigan would still rank as the 13th-largest manufacturing state.

The three leading office furniture manufacturers in the U.S. are based in Michigan, producing nearly half the office furniture made nationally. And, according to *Business Facilities* magazine, Michigan's plastics industry ranks second in the nation and has 1,407 mold makers, the most in the U.S.

Michigan's manufacturing industry is also driven by such sectors as machine shops, tool-and-die makers, chemical production, paint and coating manufacturing, ready-mix concrete, iron foundries, appliance manufacturing and electroplating. Our state also has a strong food production industry, including dairy processing and soft drink and breakfast cereal production.

Community focus: Of our state's 15,550 manufacturing establishments, more than 98 percent have fewer than 500 employees and nearly 64 percent have 19 or fewer employees — indicating that the small, community company is the backbone of Michigan's manufacturing industry.



Philanthropy: Estimates by the Council of Michigan Foundations show that our state's manufacturers set aside more than \$1 billion toward educational, cultural, human services and other charitable efforts.

GDP contribution: Manufacturing contributes the predominant share of Michigan's Gross State Product — \$79.6 billion out of a total \$305 billion, or 26 percent. Manufacturing far outranks such economic sectors as agriculture (\$37.8 billion), retailing (\$9.6 billion), construction (\$7.1 billion), and finance and insurance (\$6.9 billion).

Employment: Manufacturing payrolls make up nearly 30 percent of Michigan's total payroll, \$37.8 billion out of the state's \$128 billion total. The manufacturing industry employs some 900,000 workers out of the state's total workforce of nearly 4,000,000, about 23 percent.

Job growth: Within the past 10 years, Michigan's manufacturing sector added three times the average number of manufacturing jobs created nationally — 81,000 compared to 26,000. The average manufacturing worker earns \$41,297, including executive and technical staff salaries.

Tax support: In 1999, Michigan manufacturers paid \$924 million in Single Business Taxes and contributed \$28.5 billion in real and personal property taxes in 2001. Michigan manufacturers also pay significant amounts in use taxes. Transportation manufacturers paid \$69.8 million in use taxes in 2001.



Manufacturing employers are also taxed to support Michigan's unemployment insurance and workers' compensation funds. In 1999, manufacturing paid 34.9 percent of the state's total unemployment insurance collections of more than \$990 million, with the average manufacturing firm paying an unemployment tax rate of 3.1 percent — just above the estimated average employer tax rate of 2.69 percent.

Sources: Michigan Economic Development Corporation Databook; U.S. Census Bureau, "Business Patterns 1998"; U.S. Census Bureau, 1997 Economic Census; Michigan Department of Treasury, Office of Revenue and Tax Analysis, "The Michigan Single Business Tax 1998-99," "The Michigan Property Tax Real and Personal," "Sales and Use Taxes 2001"; Michigan Bureau of Workers' and Unemployment Compensation, "UI Program Statistics, CY 1999."



Your link to Michigan's manufacturers

Founded 101 years ago, MMA serves thousands of Michigan companies employing more than 90 percent of the state's manufacturing workforce.

Please feel free to contact MMA at any time you believe we may be of assistance. Our staff includes experts in legislative, administrative and regulatory processes and policy, including specialists in health care, insurance, environmental, judicial and educational issues. We can also help you contact company representatives in your district to enhance your understanding of vital issues.

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