

# Michigan Manufacturing Agenda 2004



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

The MMA made this declaration in the first Michigan Manufacturing Agenda, issued in January 2003. The MMA sought to raise manufacturing issues to a position of prominence in state policy and begin movement on a set of five key issues our members said would help make Michigan a better place to create and retain manufacturing jobs.

In meetings with lawmakers, economic developers, state and federal officials and the news media, we used the Agenda to highlight current challenges and offer solutions. As a result, the issue of manufacturing job loss moved to the top of policymakers’ own agendas.

Gov. Jennifer Granholm held a Michigan Manufacturing Summit, where manufacturing executives and labor leaders embraced many of the issues outlined in the MMA Agenda. In the Michigan Legislature, Speaker Rick Johnson led a drive for new laws to help our state’s vital tool and die industry. Senate Majority Leader Ken Sikkema put the state on the path of eliminating health care payments from the Single Business Tax base.

Indeed, a quick review of last year’s five key Agenda issues shows significant success:

## Health care cost control:

MMA led the charge to eliminate the health care “add back” to the Single Business Tax, accomplished, in part, through the budget compromise at the end of the 2003 legislative session. MMA also helped block a number of new health care mandate bills, which would have increased health care costs.

## Reducing business taxes:

MMA helped block numerous “fee” increases on Michigan manufacturers and successfully lobbied to write special tooling Personal Property Tax exemptions into law. MMA continues to be a major player in preserving Proposal A’s property tax reforms, modifying the Single Business Tax and phasing out the Personal Property Tax.

## Rational environmental regulation:

MMA’s efforts helped bring about an executive order from Gov. Granholm ordering the Department of Labor and Economic Growth to create an online “one-stop shop” for all state business permits and licenses. MMA has continued to lead the battle to speed permitting processes and increase process transparency. The Association has also fought to discourage new regulation that only adds bureaucracy and does not benefit the environment.

## Holding the line on litigation reforms:

As requested in the 2003 Agenda, the Legislature has made no changes in the 1995 product liability reforms, which other states look to as a benchmark.

## Increasing choice and competition in education:

In fall 2003, the Legislature passed measures that would allow 15 new charter high schools to operate in Detroit.

While we are encouraged by the momentum gathered in 2003, there is much to be done.

This second Michigan Manufacturing Agenda — Agenda 2004 — builds on the successes of the first, and incorporates changes that reflect the needs of manufacturers as expressed by MMA members. The MMA is proud to offer the Michigan Manufacturing Agenda 2004.

**T**he Michigan Manufacturers Association has always been a leader in addressing the key challenges facing manufacturers in our state. Since its founding in 1902, association members and policymakers have turned to us for public policy solutions that work, whether related to workers' compensation, taxation, economic development or environmental issues.

With some manufacturers just beginning a cyclical recovery, many Michigan manufacturers must still address long-term structural challenges. Again, government leaders will look to MMA for answers.

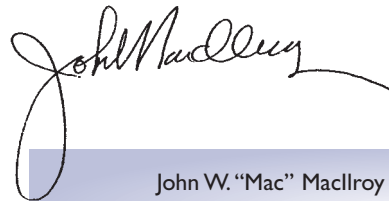
Last year, with the input of members, we laid out five key areas for state policymakers to focus on to improve the health of Michigan's manufacturing industry: health care, taxation, environmental regulation, product liability and education. The 2003 Michigan Manufacturing Agenda provided specific policy recommendations in each area.

In just one year — half of the current legislative session, which runs until the end of 2004 — we've seen considerable progress on many of the report's proposals. I'd like to highlight one of those important successes — the state's decision to begin to eliminate the health care "add-back" within the Single Business Tax structure. The "add-back," which taxes the health care premiums employers pay on behalf of employees, discourages companies from providing benefits. Long one of the MMA's top goals, the Agenda's focus on this issue helped ensure that, as part of a budget compromise reached at the end of the 2003 legislative session, this tax would see a 50-percent reduction over three years.

However, despite major gains, we still have much work to do. In October 2003, the MMA gathered leaders from companies around the state to brainstorm on our next steps. The policy recommendations coming out of that meeting became a blueprint for manufacturers who met with Gov. Granholm in her manufacturing summit in December. And they have become the basis for our new Michigan Manufacturing Agenda...Agenda 2004.

Certainly, these are not all the issues the MMA advocacy team and our members will be discussing in the months and years ahead. But they lead the list of policies Michigan needs to implement to improve its competitiveness and encourage manufacturing growth.

Sincerely,



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





The urgent need for health care reform was highlighted when 72 percent of MMA members surveyed in June 2003 listed “controlling health care costs” as the top state public policy issue facing their businesses. The survey also revealed the surprising statistic that 41 percent of respondents had laid off workers or slowed hiring to help mitigate rising insurance costs.

Health care cost control continues to be an urgent need for Michigan manufacturers, and while many solutions must be developed at the federal level, state action can also help.

### Recommendations

#### ***Conduct a major user-driven health care summit to develop an overall state health care strategy***

We believe the state must call together health care system users — private companies as well as state and local governments — to focus on ways to cut costs before looking for additional revenues within the current system.

#### ***Support a strong Certificate of Need process***

A strong Certificate of Need process must be maintained as it has been an effective line of defense in holding down the skyrocketing cost of health care. By requiring a fair and standardized needs analysis before any additional capital expansion is approved by the state, the cost of purchasing additional equipment or building new hospitals that simply aren’t needed will not be passed along to consumers and those paying for health care — i.e. manufacturers. The Legislature must reject any attempt to undermine or bypass the Certificate of Need process.

#### ***No new health care mandates***

Manufacturers are not required to provide health care benefits for their employees but, unlike most other sectors, virtually all of them do. They voluntarily choose to provide benefits and should be free to select the benefit plans that meet their particular needs. Recognizing that an increase in coverage mandates is a significant contributor to the overall cost of health care and discourages the private sector from providing insurance, MMA calls on the Legislature to resist the well-intentioned but costly urge to enact health care mandate legislation.

#### ***Encourage more personal responsibility for health care choices***

We must introduce more market-driven forces into our health care system. Today’s insurance system encourages the maximum use of all possible benefits, with little thought given by the insured to cost-effective alternatives. State policies should encourage Medical Savings Accounts and catastrophic coverage alternatives. <sup>MMA</sup>

Michigan has made important strides in moving our state's personal tax burden toward the national average. We rank below the national average in state income taxes as a percent of personal income, and our sales tax rate of 6.0 percent is just above the U.S. average of 5.28 percent.

But when it comes to business taxes, Michigan is substantially above the national average and has one of the nation's highest business taxes measured as a share of the gross state product or as a percentage of total state taxes. Add to that the personal property tax imposed on business equipment, and you have a serious disincentive for companies to locate or grow in Michigan.

## Recommendations

### *Review and make decisions concerning the appropriate level of business tax needed to encourage manufacturing*

Comprehensive research must be conducted to review Michigan's current tax position relative to competing states — including an analysis of business contributions to the overall tax burden. The resulting information can provide policymakers valuable information for future tax policy planning. Once the review and analysis is complete, Michigan must take action to reduce state business taxes to a level comparable to competitor states. In the meantime, MMA continues to support the use of the Single Business Tax to provide certainty and consistency for tax planning, but believes that its rate should continue to be reduced through the phase-out agreement reached in 1999.




### *Create tax incentives to encourage the development of intellectual capital*

If our state's goal is to win market share in the unfolding knowledge economy, we must provide employees and employers with incentives to increase our state's intellectual capital. This effort can take several forms, from tax credits to companies that return employees to college to loan repayments for engineering graduates who commit to staying in Michigan for a pre-determined period.

### *Create tax breaks for financial support of employees' training and education*

Employers who invest in their employees' training and education in programs that increase productivity, meet a demand and keep jobs in Michigan should be rewarded for that investment.

### *Implement tax incentives for energy efficient equipment*

New, energy-efficient equipment should be exempted from the Personal Property Tax rolls to encourage businesses to upgrade aging machinery and become more competitive. At the same time, increased use of energy-efficient equipment leaves a greater portion of the energy grid available for expanding businesses, those newly locating in the state and for residential needs. 



Strong advocacy by the MMA and other organizations has helped limit additional regulation on state businesses. However, 2003 saw the development of a new regulatory burden, the imposition of fees on top of high state business taxes to pay for permit and enforcement programs. With the governor's office and top lawmakers recognizing the true cost of regulation to Michigan business, it is important that industry continues to battle for sensible, science-based regulation, developed in an efficient manner that minimizes the costs to businesses.

## Recommendations

### *Reduce reporting requirements*

The paperwork imposed on Michigan manufacturers is daunting and continues to grow, with little or no relationship to benefits to society. Governmental agencies should look within the gigabytes of data companies already supply and assess what is truly needed for regulatory programs and eliminate the unnecessary burdens.

### *Implement fair, balanced, reasonable fees that do not undercut Michigan's competitive position*

The recent trend to balance the budget on the backs of businesses — which are already paying extraordinary taxes — by eliminating general funds (i.e. taxes) from various programs and replacing them with fees is disturbing. Manufacturers often are required to obtain permits for reasons that benefit the public as well as the company. It is appropriate that tax dollars generally cover those costs, and that any new fees imposed do not increase the total cost of doing business in our state. In a high tax state like Michigan, companies look closely at our relative cost burdens compared to other states, as well as cost structures across the globe, when making citing or expansion decisions.

### *Increase permit speed and efficiency*

Meeting worldwide competitive demands means bringing new products to market faster and cheaper. State government must also work faster. Too often, permitting decisions are made without applicants having full access to the decision-making process used by state officials. Department leaders need to encourage a shift in the existing culture by encouraging faster, more transparent decisions using efficient technologies where possible. Improved processes can, in turn, improve Michigan's business climate.

### *Implement SFI certification*

The Sustainable Forestry Initiative (SFI) certification process, developed by the American Forest & Paper Association, should be implemented in Michigan to reduce paperwork and regulations on forest products companies, while assuring the public that companies are practicing sustainable forestry in the state.

### *Build on the national reputation of the state brownfield redevelopment program*

Michigan's current brownfield redevelopment program is paying dividends by allowing companies to remediate and develop contaminated sites for appropriate purposes. Adding new regulations or requiring pristine cleanups of sites that are to be used for heavy manufacturing will hurt inner cities by leaving

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these sites empty while encouraging greenfield construction. To build on our already successful brownfield program, the related paperwork and regulatory processes should be further streamlined to encourage manufacturers to locate in urban cores.

### ***Align Michigan standards with competitor states***

Benchmarking Michigan's regulatory standards and processes with the Great Lakes and other competitor states is an obvious need. Once our position has been determined, the state should move to place Michigan in front of other states by eliminating unnecessary requirements and improving permit processes to ensure timely decisions. 

## Ensure a fair litigation climate


The Legislature and Gov. Granholm deserve credit for avoiding temptations, advanced by some special interest groups, to increase the number and cost of lawsuits in Michigan. The MMA will remain vigilant in helping to hold down frivolous lawsuits.

### **Recommendations**

#### ***Form an inactive asbestos docket***

Many Michigan manufacturers have been swept up in the ongoing flood of lawsuits related to asbestos. It is important to separate those people who are legitimately victims of asbestos and those who may have been exposed but who currently show no signs of illness. Creation of an inactive asbestos docket will allow speedy recovery for those who are truly sick while reserving the claim — but not mandating payments — to those who are not at this point suffering from asbestos-related illnesses.

#### ***Maintain product liability and workers' compensation reforms***

Our state's product liability and workers' compensation systems are among the best in the nation — one of the few places where we lead when benchmarking Michigan against competitor states. We must resist efforts to tinker with these successful systems. 





Manufacturers want and need a well-educated workforce in order to compete in today's global marketplace. The MMA will continue to focus on providing a quality education for all students, which includes career planning and job-readiness skills. The MMA will also work to ensure that state-supported job training and re-training opportunities are available to help manufacturers keep up with the rapidly changing demands of modern manufacturing.

### **Recommendations**

#### ***Raise the cap on charter public schools***

The Legislature is slowly moving toward increasing educational choice in Michigan. Though the situation leading up to its passage was sometimes messy, legislation passed last fall that will allow 15 additional charter schools to open in Detroit. This step, however, did not resolve the greater problem of the charter school cap. The MMA urges the Legislature to pass measures to allow more charter schools, not just in Detroit but throughout the state. We cannot allow an artificial cap on charter public schools to continue to stand in the way of providing educational choice for all families in Michigan.

#### ***Ensure that career development plays a major role in state agency operations and education goals***

The restructuring of business programs into the Department of Labor and Economic Growth creates an opportunity to revise and revitalize key career development programs. Career development operations within the state should be aligned with the state's education goals to ensure that students and those in career transition are appropriately aware of the needs of business in general, and manufacturing specifically, to ensure a well-trained and enthusiastic labor force for years to come.

#### ***Ensure timely approval of education training grants***

Education training grants remain critical to manufacturers' ability to develop a highly skilled workforce to meet competitive pressures within the nation and from abroad. Grants need to be approved swiftly so that manufacturers may plan employees' time away from production or business operations at times that create the least disruption to operations.

#### ***Increase the connection between the classroom and manufacturing***

We need to revisit limitations that keep experienced business professionals from transferring their knowledge into classrooms, while also introducing more education professionals to the manufacturing industry. Bureaucratic certification processes should be eliminated or reduced, and schools should encourage increased interactions between those involved in manufacturing and those involved in teaching to better prepare our children for their futures. ❏

# Manufacturing is Michigan's backbone

## Diversity

Michigan has one of the most diverse 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 34.1 percent of the nation's output, and is second in production of trucks (15.6 percent). However, more than half of Michigan's manufacturing output is unrelated to the auto industry. Without taking into account automotive manufacturing, Michigan would still rank as the 13th-largest manufacturing state.

## GSP contribution

Manufacturing contributes 23 percent of Michigan's Gross State Product — nearly \$74 billion out of a total \$320 billion and far outranks such economic sectors as finance, insurance and real estate (\$50.3 billion), retailing (\$31.4 billion), construction (\$16.0 billion) and agriculture (\$3.0 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 725,000 workers of the state's total workforce of more than 4.4 million, about 17 percent.

The average annual income for production workers in Michigan is \$34,800, ahead of Michigan's per capita income of \$30,222. Michigan manufacturing workers earn an average of \$871 per week. In addition to good pay, virtually all manufacturers provide health care benefits to their employees.

## Tax support

In 2000, Michigan manufacturers paid \$743 million in Single Business Taxes and contributed \$29.5 billion in real and personal taxes in 2002. Michigan manufacturers also pay significant amounts in use taxes. Transportation manufacturers paid \$69.7 million in use taxes in 2002.

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.

## Knowledge production

Michigan ranks first in the U.S. in total industrial research and development spending. More than 1,300 firms in the state performed \$17.6 billion worth of R&D in 2000.

## Export growth

Michigan ranks fourth among U.S. states in exports. The state's top export products include motor vehicles, parts and accessories (43.8%); industrial machinery and computers (20.7%); electronics (5.6%); plastics (3.7%); and furniture (3.4%).

Between 1993 and 2001, Michigan's exports nearly doubled, increasing 99.8 percent compared with a 57.3-percent increase nationally.

## Community commitment

Of our state's nearly 16,000 manufacturing firms, 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.

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

## Environmental stewardship

Efforts by Michigan manufacturers to improve air and water quality have resulted in substantial gains in these areas. The Michigan Environmental Science Board reported that "as a result of these [manufacturers' improvements in pollution control and recycling, as well as the encouragement of brownfield redevelopment] and other factors, many of the air, water and land environmental problems that were of greatest concern 30 years ago have been corrected or are in the final stages of being corrected."

*Sources: Michigan Economic Development Corp., "The Michigan Economy 1989-2002"; Michigan Manufacturers Association "2003 Health Care Purchasers' Survey"; Michigan Environmental Science Board, "State of the Michigan Environment 2003"; Michigan Bureau of Workers' and Unemployment Compensation, "UI Program Statistics, CY 1999"; Michigan Department of Treasury, Office of Revenue and Tax Analysis, "Property Tax Real and Personal 2002," "Sales and Use Taxes 2002," "The Michigan Single Business Tax 1999-2000," "Michigan Economic Update October 2003"; U.S. Census Bureau, "Business Patterns 1998"; U.S. Census Bureau, 1997 Economic Census; Bureau of Labor Statistics, U.S. Department of Labor, "2002 State Occupational Employment and Wages Estimates - Michigan"; Bureau of Economic Analysis, U.S. Department of Commerce, "Gross State Product Estimates 2001," "Private earnings: Manufacturing"; National Science Foundation/Division of Science Resources Statistics, Survey of Industrial Research and Development.*

## Advisory Committees

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The Michigan Manufacturers Association's 14 Advisory Committees are made up of member-company representatives and meet periodically to review issues and help develop public policy positions. Contact MMA today for more information, at 517-487-8552 or [government@mma-net.org](mailto:government@mma-net.org).

### Air Quality Advisory Committee

Actively monitors air quality regulations and participates in the development of legislative and regulatory policy.

### Education Advisory Committee

Provides advice and ideas to MMA on education and training issues and reviews education reform initiatives.

### Energy Advisory Committee

Provides a forum for exchanging information on energy utilization and potential industry strategies to lower overall energy costs.

### Environmental Quality Advisory Committee

Addresses environmental issues of broad concern to manufacturers and provides opportunities to interact with policymakers and legislators.

### Government Affairs Advisory Committee

Addresses major issues that impact industry and provides opportunities for interaction with state government officials.

### Health Care Advisory Committee

Closely monitors issues that impact employers' health care costs.

### Industrial Health Advisory Committee

Facilitates communications between MIOSHA, Michigan's Joint Committee on Administrative Rules and employers on issues related to health standards and other state regulations.

### Information Technology Advisory Committee

Explores advances in technology and how they will affect manufacturers and participates in the development of technology-related policy.

### Lawyers Committee

Monitors and takes an active role in major court cases that may impact manufacturing.

### MIOSHA Advisory Committee

Discusses issues and recommends positions on matters related to MIOSHA programs.

### Solid and Hazardous Waste Advisory Committee

Reviews and analyzes solid waste, hazardous waste and recycling proposals and regulations.

### Tax Advisory Committee

Reviews and provides recommendations on tax-related issues.

### Water Quality Advisory Committee

Reviews a broad range of water quality issues, regulations and permit requirements.

### Workers' Compensation Advisory Committee

Reviews workers' compensation issues that impact employers and provides an opportunity to interact with state government officials.





Founded in 1902, the MMA serves nearly 3,000 Michigan companies employing about 550,000 manufacturing workers.

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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