

May 1, 2009

To Michigan Policymakers,

With the truly dramatic news on the \$1.3 billion revenue shortfall in the current year, the stark realities of the economy are becoming even more painfully clear. Just last week, the Citizens Research Council (CRC) warned policymakers in their State Budget Notes 2009-2 about the coming revenue cliff, when the stimulus money disappears in a few years. The CRC has been very helpful in reminding us all that Michigan's budget challenges are not short-term cyclical deficits; they are chronic, long-term and structural.

Even before the most recent news, budget worries for fiscal year 2010 were forcing discussions about eliminating state-based programs including the Wetlands Program, MIOSHA, Environmental Science and Services Programs, and several others. In addition, necessary cuts in big ticket departments like Corrections had risen to the top of the public agenda. But now an Executive Order is being drafted to reduce state spending to be in line with the revenues produced by this lagging economy.

We continue to offer our assistance in making the very difficult choices in budget reductions. Some cuts make sense for the economy and some cuts increase costs on job providers, which exacerbates the problem. But we fully recognize that difficult decisions must be made and we are willing to engage in those difficult discussions.

Despite the serious budget challenges, both the Legislature and the Executive Branch continue to create new regulatory programs. When we clearly cannot afford the amount of government we have now, it is indefensible to continue to add new programs. The DEQ has the discretion to stop promulgating a new and expensive regulatory program on coal fired utilities, but has not done so. Even though the federal government is developing a nationwide standard, and the state-based standard will be more expensive, more complicated and leave Michigan rate payers and job providers paying more in their electric rates, the DEQ continues to promulgate these rules.

In another example, DELEG has not taken action to stop the creation of a new state-based ergonomics regulation. While only California has such a standard, the Agency seems poised to place Michigan behind 48 other states by imposing additional uncompetitive cost burdens on Michigan businesses.

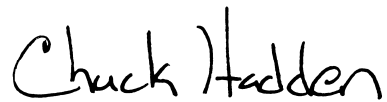
The Legislature has introduced bills that will permanently increase taxes on job providers in exchange for short-term stimulus money. This is an eminently bad economic choice for Michigan's economic future.

Since these and many other proposed programs will create new barriers to economic recovery, we call on the Administration and the Legislature to agree to stop creating new regulatory programs that go beyond federal standards. This economic crisis highlights the connection between economic activity and state revenues. Regulatory burdens beyond federal standards create competitive economic disadvantages for Michigan, build barriers to economic growth and ultimately shrink state revenues.

We must heed the advice of the CRC as they highlight the long-term chronic structural deficit in Michigan, by reducing spending on current programs. When we can't afford the programs we have now, we should at least agree to stop the creation of new programs. The agencies have the power to stop creating these programs and the Legislature has the power to formalize the policy of not exceeding federal standards. We encourage both the Administration and the Legislature to move quickly to protect Michigan's economic road to recovery.

Michigan is facing very difficult times, but we remain confident that the largest sector of Michigan's economy will drive this state's economic recovery. We look forward to working together to improve Michigan's economic future.

Sincerely,

A handwritten signature in black ink that reads "Chuck Hadden". The signature is written in a cursive, slightly slanted style.

Chuck Hadden, President and CEO