REMARKS OF GOVERNOR RICK SNYDER - MICHIGAN

U.S. HOUSE COMMITTEE ON EDUCATION AND THE WORKFORCE

HEARING ON "EXPANDING OPPORTUNITIES FOR JOB CREATION"

WASHINGTON, D.C.

WEDNESDAY, FEBRUARY 1, 2012, 10:00 A.M.

Good afternoon, Mr. Chairman and Members of the committee. I appreciate the invitation to join you this morning and discuss the critical issue of expanding opportunities for job creation. Thank you for the invitation. Also, I would like to thank you all for your public service and the work that you do. I would especially like to thank Congressman Tim Walberg and Congressman Dale Kildee for their work on behalf of our home state of Michigan. I look forward to your continued cooperation in reinventing Michigan.

I am excited for the opportunity to be here today to strengthen what I believe is a critical partnership for Michigan in expanding opportunities for job creation – the partnership between states and the federal government. The Constitution of the United States establishes a system in which the states are unequivocally the laboratories of democracy, and powers not granted to the federal government are reserved to the States and the people. In order for us to optimize that system, it is important that the federal government allow states the flexibility needed to innovate. However, it is also important that states reciprocate by sharing their lab results from time to time. So I am here today in partnership, and I would like to briefly highlight a few areas where the state and federal government have positively impacted our economic development and contributed to our recovery.

I would also like to outline several of the successful steps we have taken in Michigan to create a stable environment where businesses can grow and create jobs. As many of you are aware, Michigan has endured some significant challenges in the past decade – accounting for nearly half of the nation's job loss during that span. Therefore, I hope our foundational work in meeting those challenges, such as tax and regulatory reforms, addressing our budget deficit, and paying down our long-term debt, can be informative to other states and the federal government. Moreover, I believe our focus on talent in Michigan will make for a useful discussion that is particularly relevant to the committee's jurisdiction.

It is my belief that our greatest resource in Michigan is our people. We have great confidence that if we empower the talented citizens of Michigan through what I refer to as the "Three Cs," they will unleash an Era of Innovation. By Connecting, Collaborating and Creating, we believe Michigan will be a leader in efficiently integrating the goals of talent and economic development in the 21st Century.

Finally, as a series of next steps, I would like to offer up Michigan to serve as a pilot for state innovation. We take great pride in our heritage of innovation and entrepreneurship, and there are several areas within this committee's jurisdiction – such as the Workforce Investment Act – and beyond, where we would relish the flexibility to serve as a laboratory for innovative solutions.

There are a few specific examples of positive outcomes that I hope will provide a path forward illustrating the types of partnerships between state and federal governments worth pursuing. One such example is the State Small Business Credit Initiative (SSBCI). In September 2010, Congress enacted the Small Business Banking and Jobs Act of 2010. The law included the $1.5 billion SSBCI to fund individual states loan enhancement efforts. Michigan, and particularly the Michigan Economic Development Corporation (MEDC), was the driving force behind the creation and passage of the federal program which allocates funds to states to support small business loans.

Michigan was allocated approximately $80 million to operate its loan enhancement initiatives including the Collateral Support Program (CSP), Loan Participation Program (LPP), and the Capital Access Program (CAP). Since receiving its initial tranche of funding in July 2011, those programs have led to significant results for companies in Michigan. Specifically, in seventeen CSP deals, an initial $14,657,074 investment resulted in unleashing $44,084,000 in private funds and the creation of 628 jobs. The LPP resulted in eleven deals using $15,068,520 in public funds to garnering $33,680,937 in private investments and created 435 jobs. Finally, through CAP, 109 deals have been brokered, leveraging $255,894 in public funds to raise $7,907,663 in private dollars, creating 118 jobs. The MEDC has since shared that success nationally by assisting approximately 20 states, including the US Virgin Islands, to establish loan enhancement programs.

Additional examples where we have seen early signs of positive outcomes include an Export Financing Incentive Program to assist Michigan companies in growing their export business. The program works with companies alongside the Export-Import Bank of the United States, and uses a small amount of public resources to defray the incremental cost difference between domestic and foreign working capital loans. The program also increases business profit by lowering costs and induces entry and expansion into foreign markets.

Finally, the U.S. Small Business Administration (SBA) State Trade and Export Promotion (STEP) program has also become a part of Michigan Economic Development Corporation's continued economic gardening strategy to support existing Michigan companies' efforts to create new jobs. As members of the committee are aware, export sales help diversify a company's customer base, provide long-term stability, and support higher paying jobs.

Besides looking abroad at export opportunities, however, there is plenty that we have already done in Michigan during the past year to lay a foundation for economic recovery. In fact, we are hopeful that our efforts can serve as a model for the federal government. Taking responsible steps toward putting the nation's fiscal house in order would amplify the efforts being made in the states.

Specifically, in Michigan we approved a structurally balanced budget that eliminated the state's $1.5 billion deficit without using one-time accounting gimmicks. We are paying down our long-term debt and saving for the future for the first time since 2004. Additionally, we eliminated the job-killing Michigan Business Tax and replaced it with a flat rate that is simple, fair and efficient – ending unfair double taxation of small businesses.

The impact of small businesses on job creation cannot be overstated. Small businesses in Michigan account for ninety-eight percent of jobs created as recently as 2009. With that in mind, we have also embarked upon an aggressive initiative to reinvent our state's regulatory system. Excessive and burdensome regulations have long served as an impediment to job creation and economic growth. By launching an Office of Regulatory Reinvention to review and streamline regulations, we are establishing a culture in state government that emphasizes customer service above all, and is more conducive to business growth and job creation.

Our efforts over the past year have contributed to the creation of 80,000 private sector jobs, and our unemployment rate which was as high as 14.1% in September of 2009 has dropped to the current 9.3%. As a result, at a time when sovereigns are facing downgrades across the globe, Fitch Ratings improved Michigan's credit outlook to positive, and Bloomberg recently reported Michigan's economic health second best in the nation. We fully recognize our challenge remains steep, and we will not rest knowing many Michiganders are still struggling. However, we continue to relentlessly move forward having established a stable environment where businesses can plan long-term, invest and grow. Ultimately, we are working to create a future where our young people can raise families of their own and our talented people are well-aligned with the job opportunities of the 21st century's economy.

At the core of Michigan's reinvention is a commitment to ensuring that our talented future generations have career opportunities in our state. I believe an honest assessment of our nation's current economic condition reveals that we have failed to think strategically about the relationship between economic development and talent. Job creators are finding it challenging to grow and develop without the right talent, and job seekers are struggling to connect with the right opportunities that leverage their skills. While the struggle to connect talent with employers is multifaceted, the primary reason employers are struggling to fill jobs is a mismatch between skill attainment and skill demand. We must commit to addressing these challenges, and the good news is we can do so through the Three Cs: Connecting, Collaborating, and Creating.

With technology today, connecting people with opportunity is more achievable than ever before. Addressing the current talent mismatch demands new tools that ensure economic development and talent enhancement are occurring in tandem. In Michigan we have launched a new tool that will better connect and develop Michigan's talent: Pure Michigan Talent Connect.

Pure Michigan Talent Connect is a web-based talent marketplace found at www.MiTalent.org. It features tools that job creators and job seekers need to make better-informed decisions. Market analysis and input from economists have been used to identify labor trends and high-demand career paths for dislocated workers, college students, high school students, and those entering the workforce after a long separation. Ultimately, the new site creates a central hub linking private and public stakeholders. It will help connect Michigan's talent with opportunities for education, training, and employment. And it will allow employers to discover and retain Michigan talent that can help their companies grow and flourish.

Today, job seekers must think strategically about career paths. Pure Michigan Talent Connect allows Michiganders to create an electronic talent portfolio early in their educational career, driving everything from curriculum choices to career paths. I have asked the Michigan Department of Education, the MEDC, and the Workforce Development Agency to work together to encourage students, parents, and educators to use MiTalent.org. For those who do not have web access at home, MiTalent.org will be accessible at local libraries and Michigan Works! offices. We recognize, however, that the need to better align talent with opportunity is not simply for students.

For decades, our talent has excelled in managing and meeting the needs of manufacturers and large firms. With the downsizing of Michigan's largest businesses, some of our talent has found it difficult to transition into a new position, smaller firms, or a different industry altogether. We know that to fuel our economic reinvention we must provide small businesses the talent needed to grow, and we must provide our citizens the opportunity to continue developing their skills.

Last year I asked the Michigan Economic Development Corporation to create "Michigan Shifting Gears," a career-transition program for professionals who want to leverage their experience to pursue exciting small-business opportunities. Michigan Shifting Gears is a three month career-transition program that involves an executive education, mentorship, and internship. It gives individuals the tools, networks, and training to repurpose their skills and rapidly re-enter the new economy.

Thus far, Shifting Gears has had great success, with approximately fifty percent of participants gaining employment within three months. With experienced leadership in the small business pipeline, we are building a solid base for job creation. As such, I have also asked MEDC to apply this model to address the critical need for computer programming talent by creating Shifting Code. Currently, Michigan's shortage of programmers stifles the growth of high-tech companies and our ability to expand our portfolio of high-tech job creators. To address this problem, Shifting Code will create a supply of high-demand programmers while simultaneously giving small businesses the technology assistance they need. Innovative programs and technological tools alone, however, will not solve the challenge we face.

Developing a comprehensive strategy that coordinates Michigan's economic and talent development also requires broad collaboration. Stakeholders, coalescing around the mutual interests of job creation and economic growth, will enable our businesses to compete, grow, and create more opportunity. I am grateful to our businesses and labor organizations for embracing the collaborative spirit. For example, in a state where we reject the thought that manufacturing is history, and instead recognize it is a critical part of our future, I have committed to partnering with the International Union of Operating Engineers (Local 324) and the Michigan Regional Council of Carpenters and Millwrights to increase attainment in the critical skills necessary to maintain our status as a leader in vocational talent. Through such collaboration we continue to develop some of the best skilled-trade talent in the country in Michigan.

Another proud illustration of the collaborative spirit in our state has been the launch of Pure Michigan Business Connect (PMBC). The program is a public-private initiative that provides Michigan businesses with new ways to buy and sell, raise capital, and connect with each other through an alliance of the Michigan Economic Development Corp., state agencies, and major Michigan companies and

organizations. There are four primary components to PMBC: New market development – programs and services to expand market opportunities for Michigan companies; Business Support Services – providing services to companies through various programs and initiatives including legal and accounting, website consultation, marketing, PR and communication support; Financial services – information and access to a continuum of capital resources (i.e. private sector lenders, MEDC programs); and Talent – uniting workers and companies with talent needs and opportunities. Approximately 894 companies have requested services through PMBC, and we have received commitments from banks to provide business opportunities totaling $7 billion for expansion and hiring. The fact that the program more than doubled in less than six months has underscored just how important collaboration is to spurring innovation, entrepreneurship, and job creation.

In Michigan, we have recognized that not only is our history rooted in entrepreneurship, but our future and many of the solutions to the challenges we face are tied to entrepreneurship as well. Along those lines, we know we cannot continue to insist that the only option for the unemployed is to simply seek work somewhere else. Frankly, it is not a viable option for those that lost their job in a field that will not return. Because I so strongly believe in this, I have urged our state legislature to support giving the Unemployment Insurance Agency the ability to allow self-employment assistance to be utilized for entrepreneurship. For displaced Michiganders facing the most serious challenges returning to the labor force, we must aggressively seek more creative solutions to providing opportunity. Oregon has been a leader in implementing self-employment assistance and has already seen great success. Survey data from 2004 – 2009 showed that 77% of self-employment assistance participants who started a business remained in business. This program is an investment in individuals and another tool to spur innovation and support states' reinvention. Congress should consider allowing states further flexibility to pursue such reforms and empower the unemployed by fostering a culture of entrepreneurship.

With all the benefits of collaboration we have seen over a relatively short period of time, there are still areas where we have not measured up. One such area where local, state, and the federal government, along with the business community, should work better together is solving the unacceptably high unemployment rate of our veterans. Veterans bring a unique set of skills which benefit our communities and our economy. They have real-world work experience and transferrable technical expertise. Moreover, veterans possess leadership skills and a work ethic that have been tested at an early age under extreme circumstances. The fact is we have not properly connected veterans returning from Iraq and Afghanistan with the opportunities available to them.

In Michigan I have directed the Veterans' Services Division of the Workforce Development Agency to partner with Department of Military and Veterans Affairs to create a seamless delivery system for veteran benefits and employment services. This initiative will include co-locating veteran employment representatives and veteran service officers who help access VA benefits, including the Post 9-11 GI Bill. We will better coordinate with federal and local partners to connect veterans with the education and employment opportunities that their sacrifices have earned.

Additionally, I encourage Members of Congress to follow Michigan's example by promoting the benefits of hiring veterans and challenging your constituent businesses to reach out to veterans. I have asked

employers of veterans to also commit to helping those they employ more fully access their benefits. While our skilled trades are already doing a great job through programs like Helmets to Hardhats, we can do more. Our veterans would be assets to any employer. We must not squander veteran talent, but instead develop and retain it.

Connecting and collaborating are two definitive steps toward expanding opportunities for job creation. The equally important third step is creating a talent pool prepared to meet the demands of the 21st Century by more efficiently integrating the goals of talent and economic development. Today's young employee will have multiple careers in his or her lifetime. This makes it more crucial than ever that the skills they attain in their post-secondary education are both marketable and transferable. Maintaining a skill set that is transferable among industries will help talent better prepare for our changing economy and more quickly connect with employment.

I am committed to partnering with Michigan's public colleges and universities to provide a post-secondary education that is marketable and transferable. A recent report by the Center for Michigan concluded that Michigan graduated 20% too few computer and math professionals, 14% too few health care professionals, and 3% too few engineers in 2009 - 2010. Among our shortage, there is a common message. Addressing these deficits will require Michigan to invest in the development of science, technology, engineering, and math (STEM) as well as health industry talent. Otherwise, these shortfalls hold the potential to stunt Michigan's projected economic growth.

Just as talent must think strategically about a career path, government must think strategically about its investment in our talent pipeline. Support of post-secondary education should be concentrated in areas that enhance our economic development strategy and provide our students with the opportunity to thrive. We need to stop overproducing in areas where there is little or no occupational demand and encourage students and educational institutions to invest in programs where the market is demanding a greater investment in talent.

The current imbalance creates a population of young talent that cannot find work, is saddled with debt, and many instances are forced to leave their state and search for work elsewhere. This is an outcome we cannot afford. I have also reached out to the Workforce Development Agency, local Workforce Development Boards, and Michigan Works to shift their efforts to a demand-driven employment strategy. Today, they are reorganizing around our major industries, including manufacturing, energy, healthcare, information technology, and agriculture, to better collaborate with businesses, our colleges and universities, and our public school system. Business and community leaders, driven by data, are working to create a skilled workforce that meets the needs of job providers. In partnering with local community colleges, non-profits, and business leaders to address talent development from early childhood through post-secondary education, we can achieve the goal of having more citizens credentialed in these critically important industries.

To grow our economy businesses will need the right talent. To build a bright future for our young people, we must arm them with the right skill sets to succeed today and tomorrow. We can do more at the earliest stages to help students achieve academic success. We have been spending money without

delivering the results that are essential to giving our young people a bright future. It is time that we viewed our educational system as P-20 instead of just K-12. We have begun to take the steps necessary to fully integrate Michigan's public education and create a P-20 system that prepares our students to compete for the best jobs available today and tomorrow. We need to establish a system that focuses on real achievement for all of our children. We cannot leave children without the tools for success in their adult lives, and we also need to encourage better and faster opportunities for children that can go farther and faster in our system.

My final request for Members of the Committee today is to consider a few next steps concerning two specific issues within the jurisdiction of Congress. First, it is my understanding that this committee will soon be considering a reauthorization of the Workforce Investment Act (WIA). I strongly encourage Members of the Committee to reach out to your state's Governors and engage in a dialogue concerning the importance of the fifteen percent for statewide activities in Workforce Investment Act Title I formula funding. Bipartisan support exists amongst Governors that redirecting funds away from statewide activities is detrimental to efforts to advance innovative workforce development initiatives. Thus, I encourage continued conversation between Members of the Committee, Governors, and state Workforce Development Agencies.

Rather than focus solely on funding levels, however, I would like to suggest further that the reauthorization of WIA provides an important opportunity for partnership with states to aggressively address the realities of the 21st Century economy and job training. Specifically, the WIA reauthorization presents an opportunity to create a demand-driven workforce system that cultivates a labor force possessing the necessary skills employers require. Burdensome and bureaucratic performance measures should be replaced by meaningful key indicators of performance focused on desired outcomes and accountability. Such indicators should support innovation and allow states the flexibility to implement programming to meet local and regional economic demands.

It is my understanding that a package of bills recently introduced by Mr. McKeon, Ms. Foxx and Mr. Heck include several promising proposals, and I will look on with great anticipation at how the committee proceeds on those proposals. However, I would also encourage the committee to consider some of the following examples of demand-driven, meaningful measures for the workforce system:

- Number of Training Modules Created for Specific Employers or Groups of Employers: The purpose of this measure is to capture the level of partnerships occurring between workforce development, economic development, educational, and employer partners resulting in the creation of demand-driven training.

- Number of Industry-Recognized Credentials Issued: The purpose of this measure is to quantify how many employer valued diplomas, licenses, certificates, or degrees are issued through the workforce system.

- Percentage of Jobs Filled: The purpose of this measure is to track the percentage of jobs that the system is able to fill for employers who request assistance with finding qualified workers.

- Number of New Business Start-Ups: The purpose of this measure is to capture the level of activity occurring in terms of new businesses opening their doors and creating jobs.

- Employment Rate of Individuals Receiving Training: The purpose of this measure is to quantify the percentage of individuals who receive demand-driven training and are able to obtain a family-sustaining job upon completion of training.

- Average Wages of Those Receiving Services: The purpose of this measure is to track the resulting wages of individuals who received services from the system.

Success, as measured by key indicators such as these, will result in a demand-driven system where existing employers have access to the talent they need to meet their employment needs, where workers have the right skills to enable them to obtain family-sustaining employment, and where new entrepreneurs have the confidence to invest their capital to create new jobs.

A final, purely federal issue that I strongly believe falls within the purview of expanding opportunity for job creation is attracting global talent and investment. Immigration laws are established at the federal level, so it is important that Michigan partner with the federal government to better attract highly educated foreign talent and investors. I realize immigration can be a divisive issue, but common ground already exists across party lines about the need for investment and job growth. That mutual interest should not cease at the simple mention of immigrant talent.

Highly educated and skilled immigrants are a key component to filling skill gaps and helping our American businesses flourish. Many Michigan businesses are growing, but finding the right talent can be an obstacle. Retaining and attracting the best possible talent from around the world will fuel faster growth, help secure and create jobs for Americans, and strengthens us against our global competitors.

Early last year I announced the Global Michigan Initiative which is a collaborative statewide effort – spearheaded by the MEDC and the Michigan Department of Civil Rights – to retain and attract international, advanced degree and entrepreneurial talent to our state. I did so, in part, because one-third of high-tech businesses created in Michigan over the past decade were started by immigrants. Major Michigan-based companies like Dow Chemical, Meijer and Masco were founded by immigrants and have a long, established track record of innovation and significant job creation. Of course, these statistics are not unique to Michigan. A recent report by the Partnership for a New American Economy in June 2011 indicated that 40% of the 2010 Fortune 500 companies were founded by immigrants or their children. The data is conclusive: advanced-degree immigrants and foreign investors spark job creation.

Unfortunately, inflexible immigration laws increasingly delay foreign investors and impair job growth. We need to remove those barriers, and need action from the federal government to do so. Specifically, the EB-5 foreign investor program provides international investors the chance to live here as they invest in our economy and create jobs. However, the program is set to expire in September 2012. I urge you to work together with your fellow Members of Congress and the Department of Homeland Security to renew and make permanent the EB-5 Immigrant Investor Regional Center program. I would also

recommend modifying the requirements so that an investor may qualify by creating at least five jobs and investing $500,000. We should not deter attracting eligible, willing investors to our states.

In addition to investment, foreign talent contributes to Michigan's economy by meeting employer demand in career fields where we currently lack critical skills. According to the National Science Foundation and the Congressional Research Service, the foreign student population earned approximately 36.2% of U.S. doctorate degrees in the sciences and approximately 63.6% of the doctorate degrees in engineering in the U.S. in 2006. Much of this talent is cultivated in our universities.

Michigan excels at attracting and educating global talent for high-demand careers, and international students make a significant contribution to our state's economy. In 2010, Michigan ranked 9th highest among states hosting foreign students at public universities. Moreover, the net contribution to the state's economy by foreign students during 2010-2011 was more than $705 million, according to the Institute of International Education. We cannot afford to lose these valuable members of our talent base to overseas competitors after years of development here.

While foreign talent can readily obtain a student visa, remaining a member of the Michigan community is made extremely difficult for those desiring to do so under current immigration laws. The difficulty also significantly disrupts businesses that rely on these skilled and talented individuals. The federal government sets a cap of 65,000 on new H1-B temporary work visas, and there are only an additional 20,000 new H1-B visas available to individuals with U.S. advanced degrees. These caps are arbitrary and fail to recognize the harm done to local economies when states are forced to send away talent they have spent years developing. Today, I am asking Members of Congress to work to permanently raise the cap on immigrant professionals and eliminate the cap for those holding a master's degree or higher from U.S. universities.

Lastly, and perhaps most urgently, I encourage Congress to focus directly on addressing our critical skills gap, and pass proposed legislation to create a STEM education "green card." Creating an avenue for permanent residency status, through green cards, for foreign-born students who have earned graduate degrees in science, technology, engineering and mathematics (STEM) fields will allow us to retain the best and brightest foreign students. In doing this we can slow the practice of STEM professionals being educated in our schools and going back to their home countries to compete against U.S. firms.

A recent study sponsored by the American Enterprise Institute and the Partnership for a New American Economy found that for every 100 Science Technology Engineering and Math (STEM) foreign workers added to the workforce, an additional 262 jobs were created for U.S. natives during 2000-2007. It is time to enact this legislation and allow these valuable members of our higher-education communities to become permanent, contributing members of our companies and communities.

The simple truth is that tomorrow's opportunities cannot be realized with yesterday's skills.

Michigan's greatest assets are the adaptability, ingenuity, and intellect of its people. These qualities, coupled with our abundant natural resources, industrial might, and technological leadership, will make Michigan a formidable force in this century's global economy. The challenge we face is to align the

aptitudes and career passions of job seekers with the current and evolving needs of employers. The solution is to reinvent the way in which we prepare our children for successful, fulfilling careers, reshape the manner in which our citizens look for work, and redesign the way in which employers obtain the skills they need.

Attacking this challenge demands the unyielding commitment of stakeholders across the board. The Administration, Congress, states, businesses, communities, nonprofits, schools, parents, and universities must embrace the shared responsibility of helping young people build connections to the world that let them – and our state – flourish. Based on their history of selfless contributions to the betterment of our state, there is no doubt that they will step up to the plate.