General Session:

Conversation with the Governor

Live on WWJ Newsradio 950

Session Sponsor

MASCO

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The Honorable:

Jennifer M. Granholm

Governor
State of Michigan

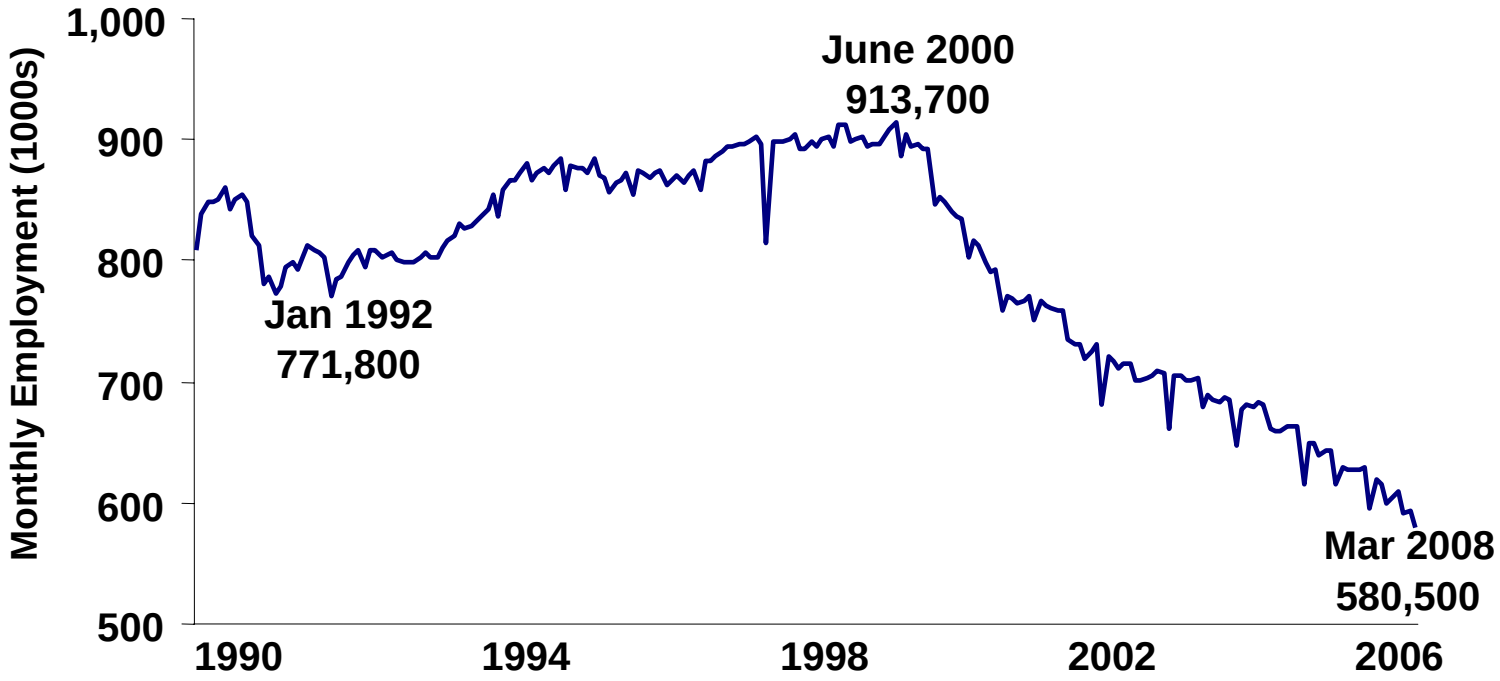
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Michigan's Economic Challenge

Michigan Manufacturing Employment

Since June 2000: 333,200 Jobs Lost; 36% Decline



Source: Michigan Department of Labor and Economic Growth Non-seasonally adjusted data

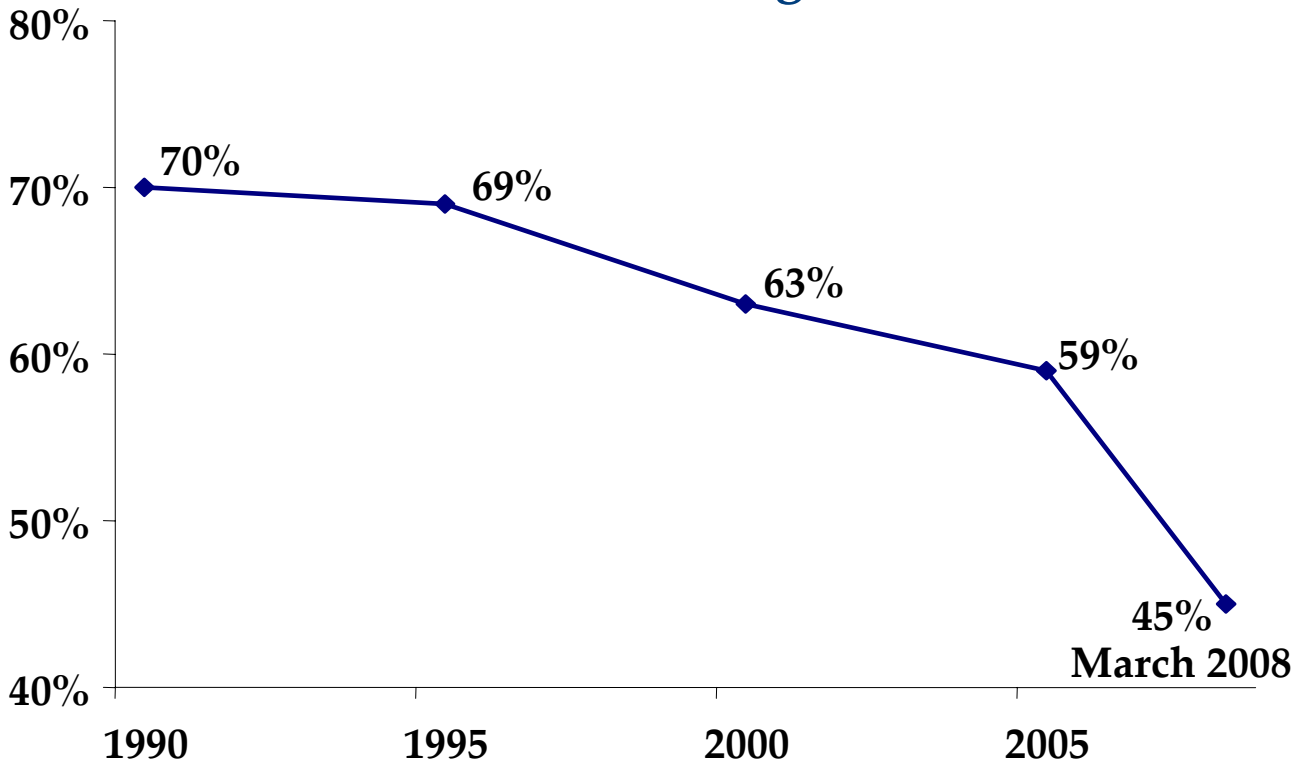
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Michigan's Economic Challenge

Big 3 Market Share

US Sales of Cars and Light Trucks



Sources: Automotive News, Detroit Free Press

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Next Steps
For Progress That Unites Us

- Create a Skilled, Educated Workforce
- Diversify Our Economy to Create Jobs
- Lower the Cost of Government

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1. Education and Training for All

Cherry Commission - Strategic Plan to Double College Grads

- ☑ All High School Students Must Now Meet Tough High School Graduation Requirements (Rated in Top 3 in US)
- ☑ All High School Students Take College Entrance Exam
- ☑ All High School Students Have Access to a $4,000 Michigan Promise Scholarship
- ☑ More MI Students Going to College Than Ever Before

No Worker Left Behind

- ☑ Overhauled job training to meet employer needs
- ☑ Goal – Train 100,000 workers for jobs in demand

Next Step for Creating a Skilled, Educated Workforce

Replace Large High Schools that Fail with Small High Schools that Work

- Small, rigorous, relevant, relationships
- School prepares kids for jobs
- Site-based management, labor-management cooperation
- Already 6 in Michigan
- 21st Century School Fund could create 100 more
- No new tax dollars

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2. Economic Diversification: New Tools to Attract, Grow Jobs

- ☑ 21st Century Jobs Fund
  - $2 Billion, Most Aggressive in Country
- ☑ New Tax Incentive Tools
  - MEGA expanded to be more flexible and cover more businesses
  - Alternative Energy and Agricultural Renaissance Zones
  - Anchor Company Tax Credits

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2. Economic Diversification: New Tools to Attract, Grow Jobs

- ☑ Venture Capital and Private Equity Programs
  - Venture Michigan Fund - $95 M
  - 21st Century Investment Fund - $109 M
  - Angel Investor Tax Incentive
  - Invest Michigan Fund - $300 M
- ☑ Overseas Investment Missions
  - 37 companies & 9,000 jobs

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Alternative Energy

Hemlock Semiconductor, 1,152 jobs , $1.1 billion invested in Thomas Twp

United Solar Ovonic, 563 jobs, $120 million invested in Greenville

Adaptive Materials, 187 jobs, $2.8 million invested in Pittsfield Twp

Compact Power, 298 jobs, $18 million invested in Troy

Ricardo, 48 jobs, $2 million invested in Van Buren Twp

Sakti3, 230 jobs, $1 million invested in Ann Arbor

Thunder Bay Development, 368 jobs, $15 million invested in Alpena

Dowding Machining, 358 jobs, $7 million invested in Eaton Rapids

Danotek Motion Technologies, 313 jobs, $7.8 million invested in Pittsfield Twp

Cobasys, 122 jobs , $1.5 million invested in Orion Twp

Life Sciences

MPI Research, 6,600 jobs, $330 million invested in Kalamazoo

Xoran Technologies, 386 jobs, $3.7 million invested in Ann Arbor

Cayman Chemical Company, 525 jobs, $9.7 million invested in Pittsfield Twp

Caraco Pharmaceutical Laboratories, 1,648 jobs, $15 million invested in Detroit

HandyLab, 138 jobs, $3 million invested in Pittsfield Twp

Emergent BioSolutions, 952 jobs, $73 million invested in Lansing

Pureflex, 366 jobs, $7.3 million invested in Kentwood

The Tech Group, 164 jobs, $13 million invested in Walker

Stryker, 165 jobs, $20 million invested in Kalamazoo

NSF, 100 jobs, $23 million invested in Ann Arbor Twp

Advanced Manufacturing

Chrysler, over $1 billion invested in various locations

Ford Motor Company, over $1 billion invested in various locations

General Motors, over $1 billion invested in various locations

Global Engine Alliance, 1,978 jobs, $375 million invested in Dundee

American Mitsuba, 90 jobs, $11 million invested in Brighton

Dow Corning, 164 jobs, $22 million invested in Williams Twp

Mitsubishi Heavy Industries, 115 jobs, $7.5 million invested in Sterling Heights

Infineon Technologies, 73 jobs, $5 million invested in Livonia

Assay Designs, 238 jobs, $18 million invested in Pittsfield Twp

Toyota Technical Center, 677 jobs, $150 million invested in York Twp

Homeland Security

Smiths Aerospace, 214 jobs, $5.4 million invested in Cascade Twp

Sensicore, 338 jobs, $4.7 million invested in Ann Arbor

General Dynamics Land Systems, 1,649 jobs, $17 million invested in Sterling Heights

Ceradyne, 69 jobs, $2.7 million invested in Wixom

American Systems Technology, 176 jobs, $3.7 million invested in Troy

Second Chance Armor, 160 jobs, $1 million invested in Central Lake Twp

BAE Systems, 1,019 jobs, $58 million invested in Sterling Heights

Patriot Antenna, 56 jobs, $3.5 million invested in Albion

Veridian, 366 jobs, $39 million invested in Ypsilanti

Overseas Investment Missions

Karmann USA Inc., 251 jobs, $22 million invested from Germany

Eberspacher Group, 40 jobs, $10 million invested from Germany

Robert Bosch Co., 475 jobs, $66 million invested from Germany

Facton Incorporated, 93 jobs, $1 million invested from Germany

Kostal of America Inc., 203 jobs, $14 million invested from Germany

MBTech Autodie, LLC, 422 jobs, $5 million invested from Germany

MS Automotive LLC, 106 jobs , $23 million invested from Germany

EDAG, 140 jobs, $9.5 million invested from Germany

FT Techno of America LLC, 56 jobs, $30 million invested from Japan

Denso, 250 jobs, $36 million invested from Japan

Economic Diversification: New Tools to Attract, Grow Jobs

- ☑ Rebranding Our State – Travel, Business Ads
  - $60 Million Investment, Biggest Ever
- ☑ Film Incentives
  - Most Aggressive in Country

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Next Step for Diversifying Our Economy to Create Jobs

Pass Comprehensive Energy Reform

- Energy regulatory reform
- Renewable portfolio standard
- Energy efficiency standard
- Create a new energy sector of Michigan's economy
- Create tens of thousands of jobs
- Ensure adequate energy supply
- Reduce reliance on out-of-state fossil fuels

America's Energy Problem is Michigan's Economic Opportunity



Michigan Uniquely Positioned to Capitalize on the Coming Green Industrial Revolution

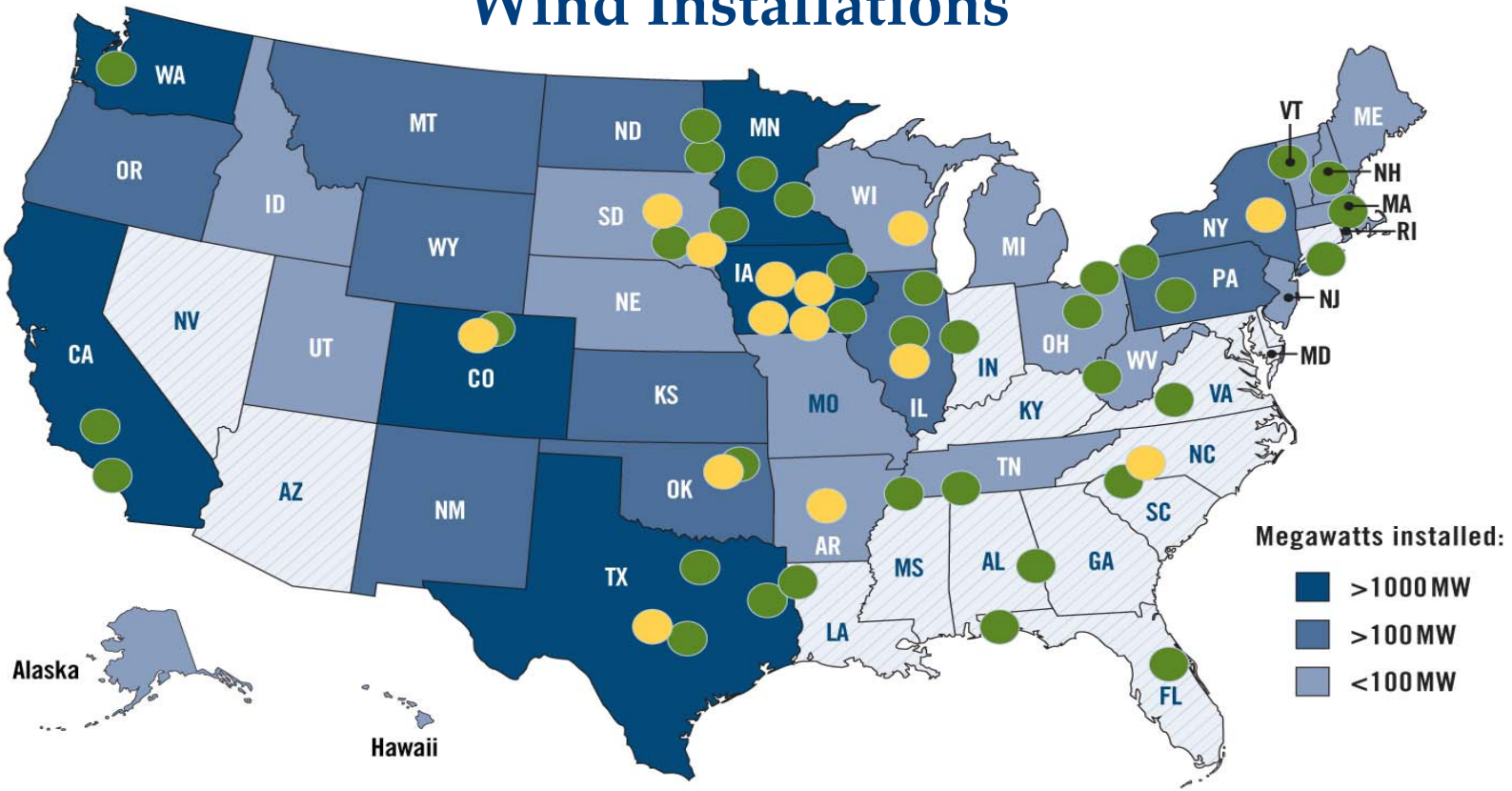
- Wind
- Wood
- Water
- Wheels…and batteries
- Waste
- Workforce
- W…Solar

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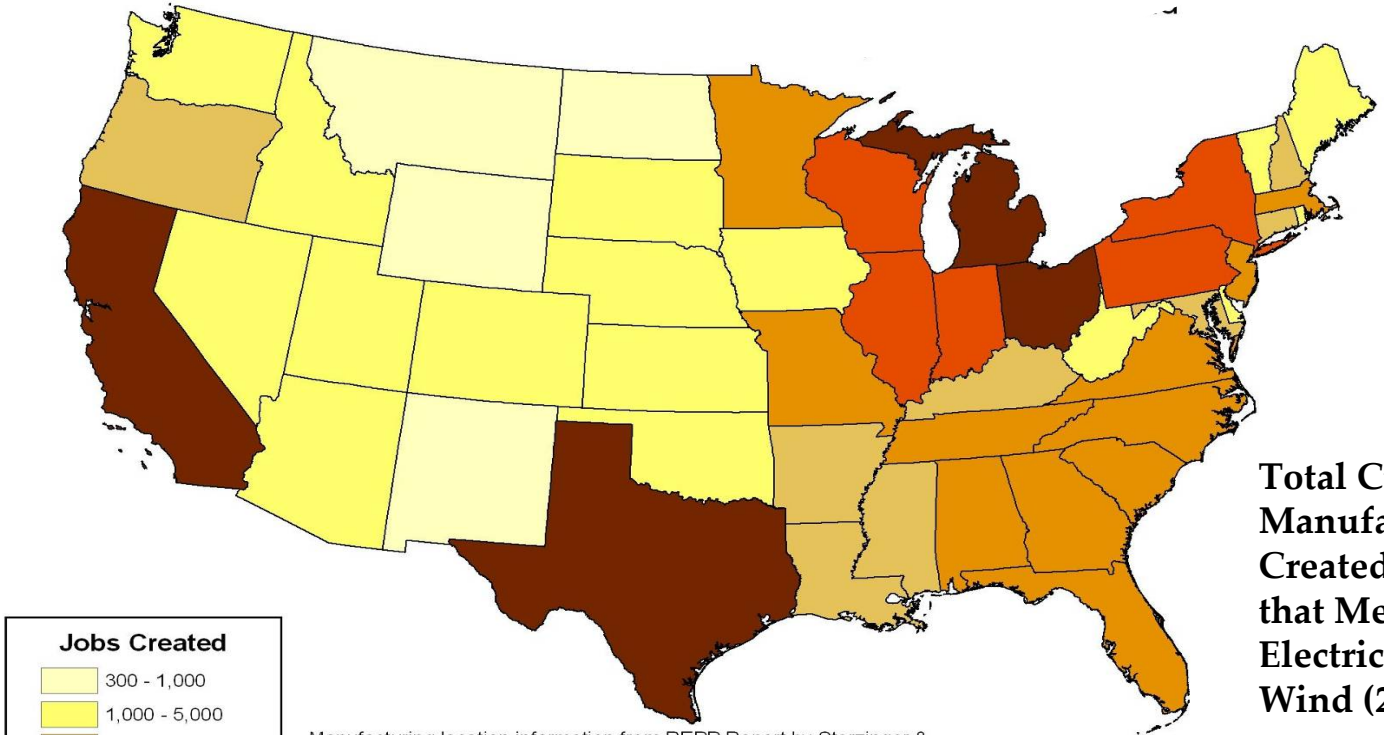
Economic Diversification: Michigan Needs an RPS

Wind Manufacturing Facilities Follow Wind Installations



National Renewable Energy Lab

With the Right Policies . . .
We Can Create Thousands of New Jobs



Manufacturing location information from REPP Report by Sterzinger & Svrcek (2004)

Major component assumptions: 50% of blades are manufactured in U.S. in 2004 increasing to 80% in 2030, 26% of towers are from the U.S. in 2004 increasing to 50% in 2030 and 20% of turbines are made in the U.S. increasing to 42% by 2030.

Total Cumulative Manufacturing Jobs Created by Scenario that Meets 20% of U.S. Electricity Needs from Wind (2007 – 2030)

Wind_Vision_Jobs_06-19-2007 - DRAFT

3. Government Reform – Making Government Cost Less

- ☑ Cut more out of state government than any Governor in Michigan history
- ☑ Fewer state employees than any time since 1973
- ☑ Michigan ranks 46th among all states in government employees per capita

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Government Reform – Making Government Cost Less

Just last year, we enacted 26 reform measures, including:

- ☑ Public School Employee Benefit Reform
  - School districts can shop competitive health insurance plans
  - Tightened vesting requirements
  - Increased teacher contributions
- ☑ State Employee Benefit Reform
  - 2003 - $300 million in pay concessions
  - 2007 - $300 million over 3 years in health benefit concessions
  - Eliminated benefit loopholes – no double dipping

Government Reform – Making Government Cost Less

- ☑ Permitting Reform – Cutting Through Red Tape
  - 60% reduction in air quality permitting times
  - Over 200 permits available online
  - Online tax registrations – 6-8 week process now takes less than 5 days.
  - Center for Digital Government: MI #1 in state government IT since 2004
  - Next Step - One-stop permitting shop for businesses - One web portal, One number - piloting late this summer

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Government Reform – Making Government Cost Less

- ☑ Contracting Reform
  - Ended no bid contracting
  - State contract savings total $671 million since 2003
  - Buy Michigan First - 92% of contract dollars to Michigan companies.

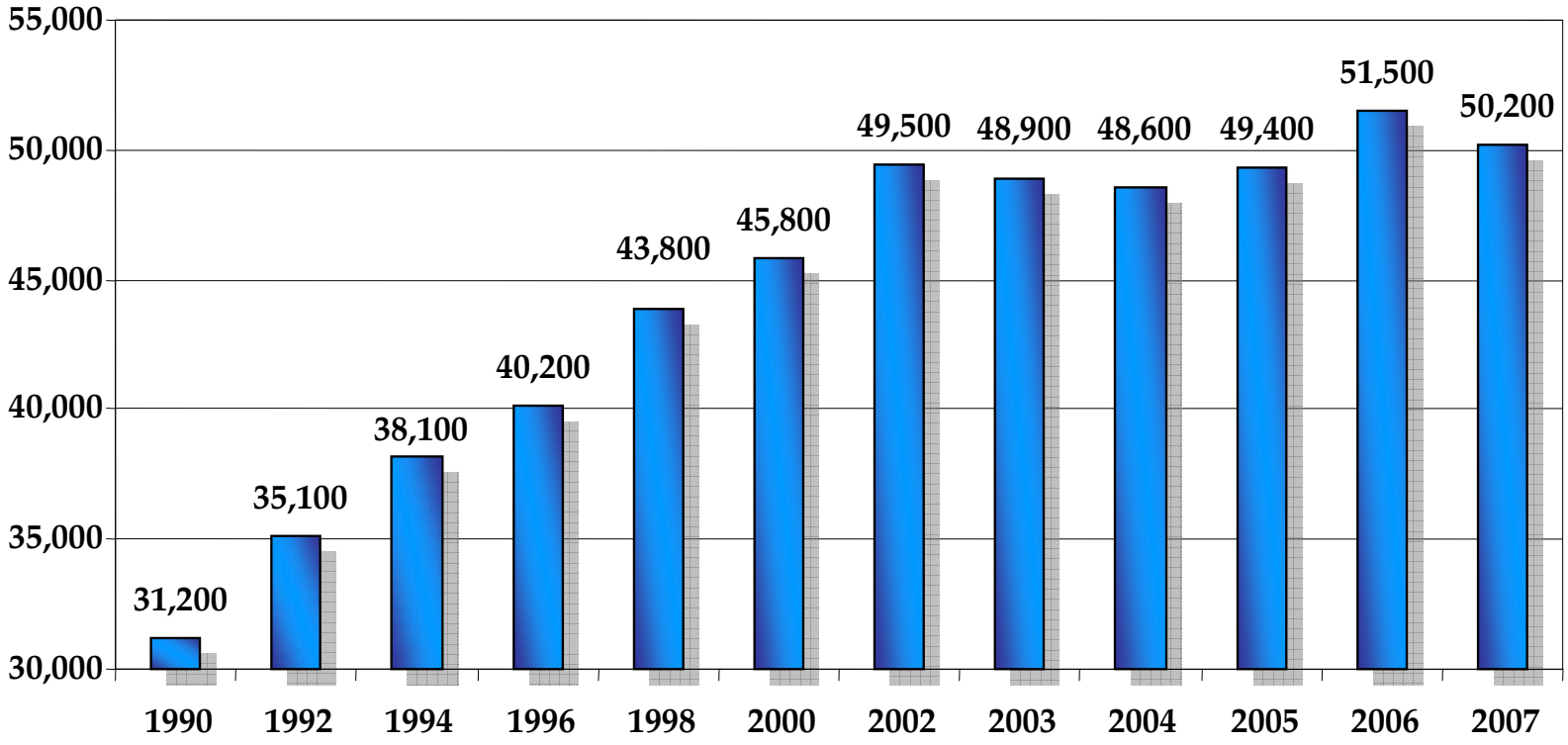
Pew Center on States 2008

- Michigan is 4th Best Managed State in the Nation

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Prison Population Has Increased 60% Since 1990



…while the population of the State of Michigan has increased by less than 10%.

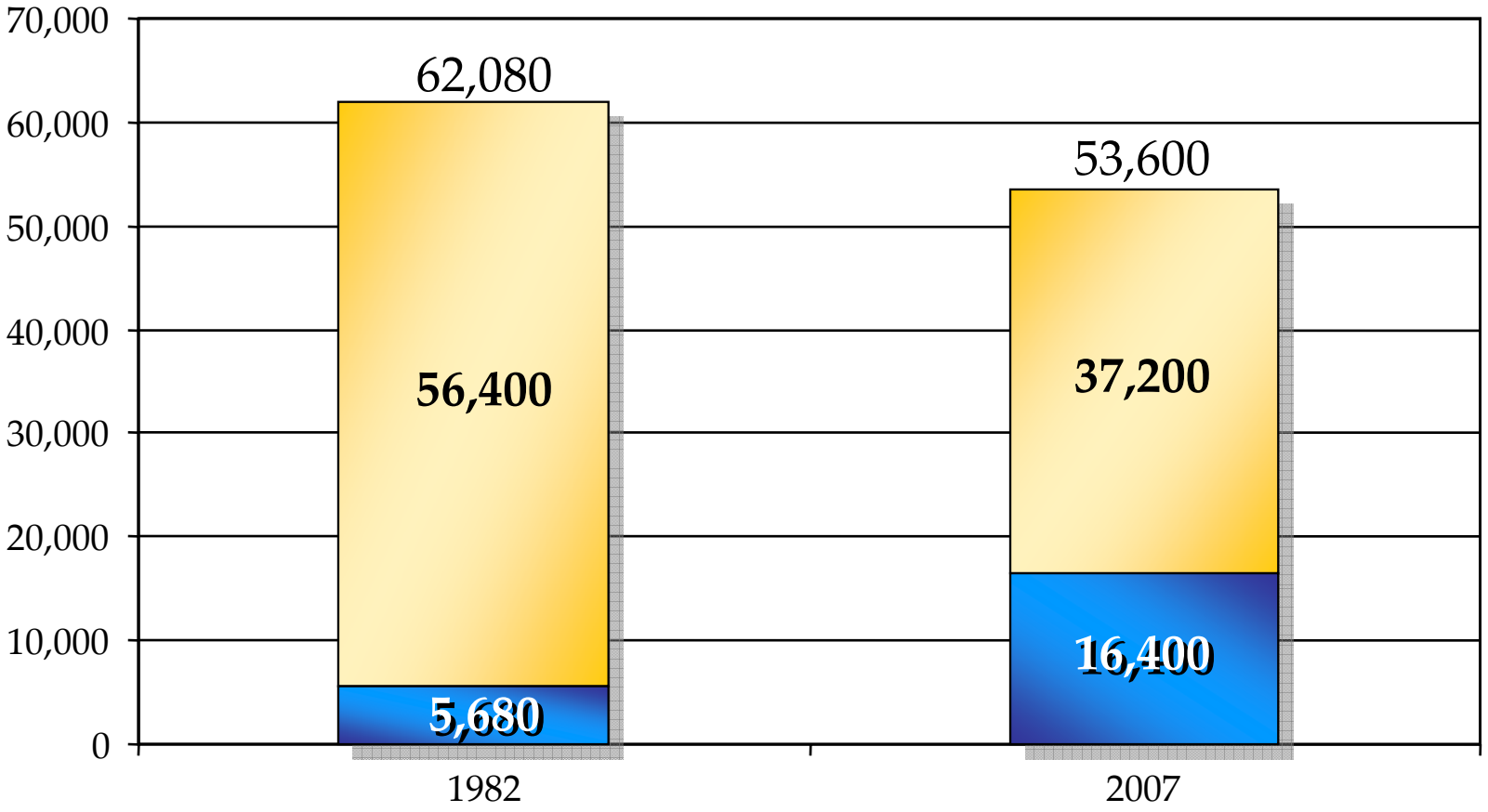
Source: State Budget Office

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Corrections Staffing Has Increased While Overall State Employment has Declined

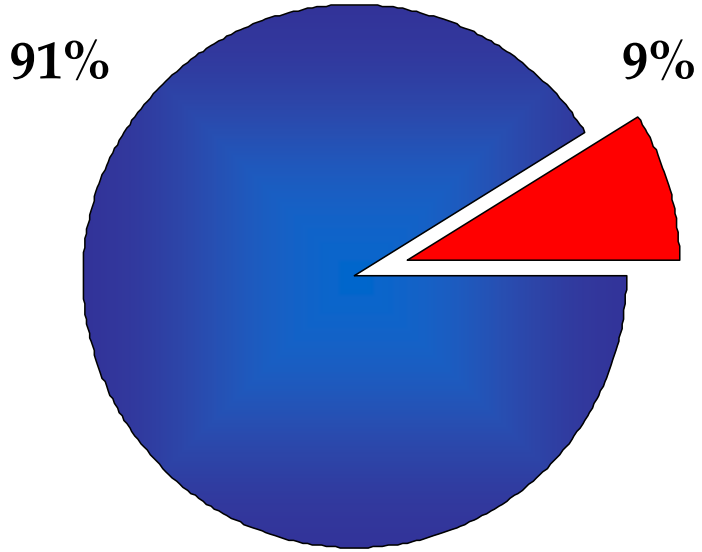
Corrections staff up three-fold while overall staffing down 14%.



Source: State Budget Office

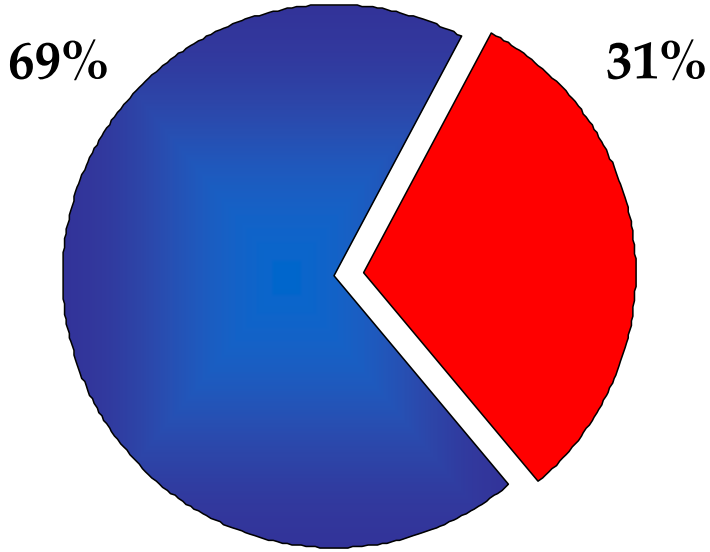
3 Out of Every 10 State Employees Now Works for the Department of Corrections

1982



Total State Employees: 62,082
Corrections Employees: 5,677

2007



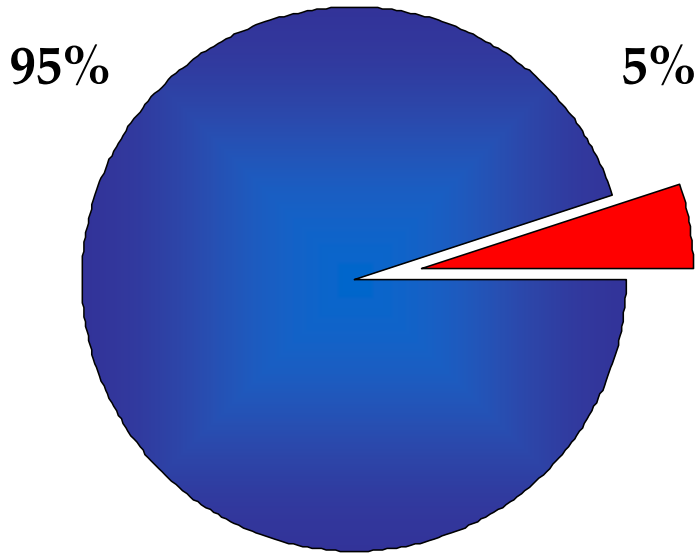
Total State Employees: 53,596
Corrections Employees: 16,418

… compared to less than one in ten 25 years ago.

Source: State Budget Office

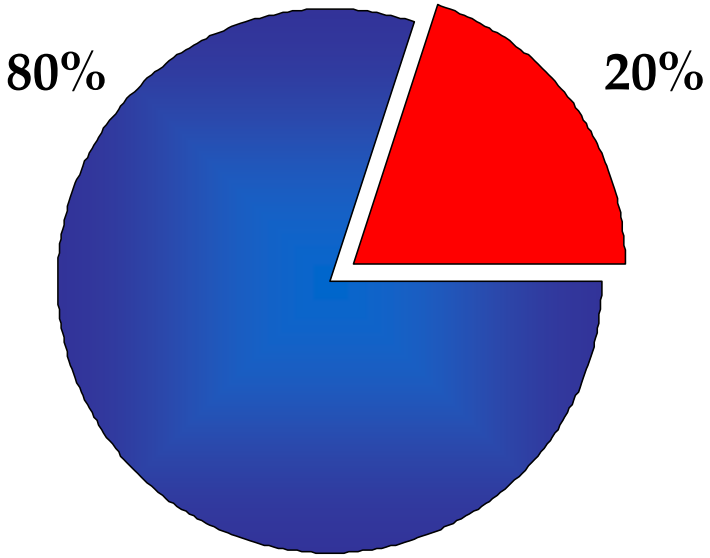
Corrections Spending has Grown from 5% of All Discretionary Spending to 20%

1982



Total GF/GP: $4,457,300,000
Corrections GF/GP: $215,800,000

2007

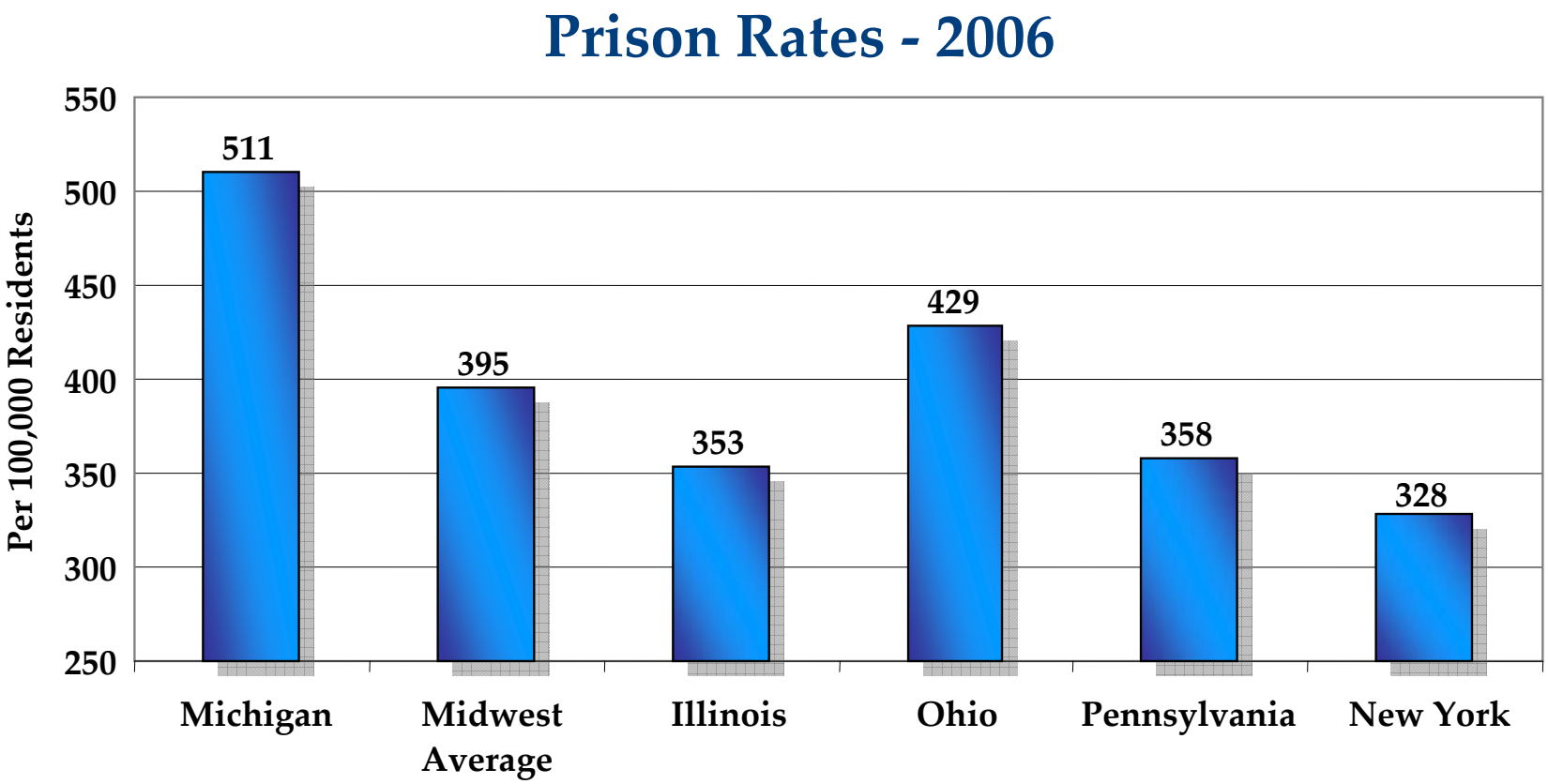


Total GF/GP: $9,186,200,000
Corrections GF/GP: $1,866,400,000

Corrections spending is almost 9X the 1982 level

Source: State Budget Office

Michigan's Prison Rate Out of Sync with Midwestern Neighbors



Source: US Census Bureau, US Bureau of Justice Statistics

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Next Step for Lowering the Cost of Government

Pass Sensible Corrections Reform

- Already reduced corrections spending by $560 million through belt-tightening since 2002
- Keep citizens safe and lower the cost of government through further corrections reform
- Distribute the savings in three ways
  - 1/3 Higher Education
  - 1/3 Law Enforcement
  - 1/3 MBT Surcharge Reduction

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Recap: Next Steps to Move Michigan Forward

- Create a Skilled, Educated Workforce
  - Pass 21st Century Schools Fund
- Diversify Our Economy, Create Jobs
  - Pass Comprehensive Energy Package
- Lower the Cost of Government
  - Pass Safe, Cost Saving Corrections Reform

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"People know we are in a jam. A large part of the problem is a cynicism, fatalism and negativity – a toxic mix -- shared by people in leadership positions."

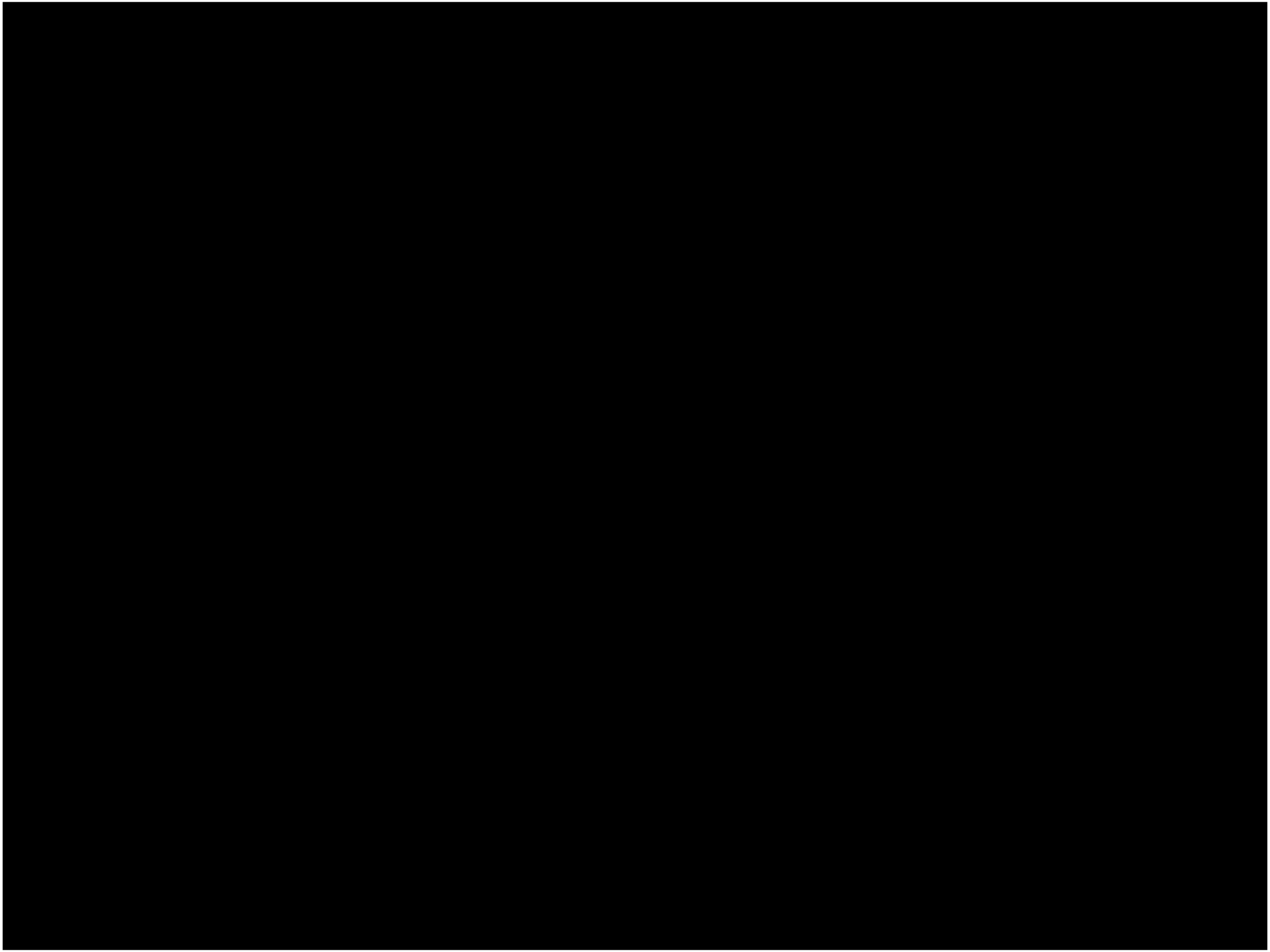
Phil Power
Center for Michigan

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Gone Fishin’





General Session:

Conversation with the Governor

Live on WWJ Newsradio 950

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Moderator:

Daniel J. Loepp

President & CEO
Blue Cross Blue Shield of Michigan

Chairman
Detroit Regional Chamber
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