
Priorities for Michigan's Economic Future

Jobs, Education and Protecting Families



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Governor
State of Michigan

State of the State Address

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Lieutenant Governor Cherry, Speaker Dillon, Majority Leader Bishop, members of my Cabinet, fellow citizens, my beloved family: good evening.

There are many familiar faces in the chamber this evening, but there are also more than 40 representatives joining us for the first time. Congratulations to you and your new leaders – Minority Leader Prusi and Minority Leader Elsenheimer.

We welcome a new member to our state’s highest court – Justice Diane Hathaway.

And let us also recognize State Board of Education President Kathleen Strauss who has now become that body’s longest serving president.

Before I begin this evening, we must take a moment to reflect on the service of the sons and daughters of Michigan who defend freedom far from our shores, and the service of the first responders who give their all to protect our safety here at home.

Sgt. Brooke Murphy is here, just returned last week from duty in Iraq. She represents all of the men and women who are serving on our behalf. We stand with her in awe of their commitment, and we offer a moment of silence for those who have made the ultimate sacrifice.

As we gather this evening to take stock of our state, I will not sugarcoat the severity of the crisis we face. This past year has been brutal. Like few others in our history. The nation’s financial system teetered on the brink of collapse. Our auto companies fought for their very existence. And as the bottom fell out of the national economy, the job situation in Michigan has gone from bad to worse.

Families across our state can only wonder and worry what new threat tomorrow will bring. Breadwinners worry they’ll find a pink slip in this week’s pay envelope or empty packing boxes on their desk on Friday morning.

Any *honest* assessment of our state’s economy has to recognize that things are likely to get worse before they get better. But if there is one thing I want you, the citizens of Michigan, to know this evening, it is this: Things will get better.

Michigan will weather this economic storm because our people are resourceful and resilient and because our battle plan is focused on the three things that matter most:

- fighting for more good paying jobs in Michigan;
- educating and training our people to fill those jobs;
- And protecting our families during the worst economic conditions in more than a quarter of a century.

The days when our government could be all things to all people are behind us. This is no time for special interests or pet projects. It’s a time that demands relentless focus and discipline.

Good-paying jobs. Education and training. Protecting our people.

After years of seeing our economy battered like no other state by the combination of global market forces hammering the auto industry and trade policies sucking jobs overseas, fortunately, Michigan now has a friend in the White House who shares our agenda.

I say this based on pragmatism, not partisanship. President Obama's priorities are nearly identical to ours. He, too, is focused on jobs for middle America and new, renewable energy jobs. He, too, is focused on education. He too is focused on protecting people. He's proposed a sweeping economic recovery plan for the nation.

As the details of that plan take shape, we know one thing for certain. We, in Michigan, will use that recovery plan to accelerate our own. We are not starting from scratch. We have *already* made renewable energy a key focus of our economic development strategy. We're already transforming education and training.

And we've already made tough choices in our budget. So, while Michigan's budget situation is difficult, it pales in comparison to many states' now drowning in red ink. While other states will use this federal recovery funding simply to survive, Michigan will use it to move further and faster into a better future.

When that stimulus package is signed by the president, I'll come back to you with the specifics for Michigan. But let there be no confusion about *this*: If anyone thinks we should use the stimulus package to create a bigger government in Michigan, they should think again. I have a veto pen and I will use it.

The president's economic recovery plan is a one-time opportunity, not a permanent funding stream. One-time money will not weaken our long-term resolve to keep our fiscal house in order. We must reform our government to meet the needs of our new economic realities long after the stimulus funds are gone.

That is why I have asked Lt. Governor Cherry to lead a comprehensive effort to dramatically change the shape and size of state government—reducing the number of our departments from 18 to 8, reforming our civil service system, creating public/private partnerships, and infusing technology everywhere – because we won't settle for 9 to 5 government in a 24/7 world.

I'm asking our team to continually provide better service at less cost to taxpayers. That starts at the top. Today, the Lt. Governor and I have directed the State Officers Compensation Commission to reduce the salaries of all state elected officials in Michigan by 10 percent. With families across Michigan struggling to make ends meet, we must tighten our belts as well. I thank you in advance for doing your part.

While many of the reforms in the structure of state government will require detailed legislation or even changes to our constitution, others will be contained in the budget I propose to you next week.

A recent national survey showed that since 2001, Michigan has done more to restrain general fund spending than any state in the country. Already, I've cut more than any governor in Michigan history. And the budget I present to you next week will cut even deeper.

I will recommend eliminating virtually all earmarks. While some fund helpful services, we simply can't afford them any more.

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I will recommend eliminating funding for both state fairs, because while they are a wonderful tradition, the state fairs are not an essential purpose of government. I'm grateful that others are stepping forward to continue this tradition.

I will recommend eliminating the Department of History, Arts and Libraries and finding other means to support these important functions.

I will recommend returning enforcement of wetlands protections to the federal government where more staff exists to effectively safeguard our natural resources.

I will recommend additional reforms to our justice system that bring down the cost of corrections, while continuing to reinvest in more law enforcement on the street. Over the last six years, we have reduced corrections spending by \$460 million, closing nine prison facilities in the process. We'll close three more in the coming months.

Soon, I also will recommend long-term reforms to achieve affordable but stable funding for maintenance and repairs to our roads, bridges and transit systems.

Jobs

We will live within our means and reform government, so that we can relentlessly focus on what everyone in Michigan cares most about: jobs.

The fact that our auto companies have faced the real threat of bankruptcy only confirms that there is no other long-term course for Michigan in the 21st century than to diversify.

But let me be clear – diversifying our economy does not mean deserting our major industry. We are justifiably proud of the American automobile industry, and we are prouder yet to be its home. And when pundits and ill-informed politicians take cheap shots at our auto companies and auto workers, we will continue to call them out and take them on.

We will be armed with the facts about the incredible transformation this industry is undergoing and the great products it produces now and the awesome products in the pipeline. And we *will* keep Michigan positioned as the global center of an increasingly green auto industry.

But there's real pain in the auto world. Hundreds of thousands of jobs have been lost since 2000, and there are still more job losses ahead. Those losses have fueled our determination to bring new industries to Michigan – not just new businesses – entire new industries.

Now, the cynics and skeptics will tell us we can't do it – that we'll never attract a new economic sector to an old manufacturing state like Michigan. But we already have.

Here's one example:

Since enacting the nation's most aggressive film incentives in April, we have seen more than 70 film and TV projects slated for production in Michigan, bringing some \$430 million in economic activity here. Thank you, Senator Allen, for your leadership on this one.

Tonight, I'm pleased to make three major announcements: Wonderstruck Animation Studios will invest \$86 million to build a new studio in Detroit; Stardock Systems, a digital gaming manufacturer, will build its production facilities in Plymouth; and Motown Motion Pictures will invest \$54 million to build their new film studios at a former GM plant in Pontiac.

Motown Motion Pictures alone, spurred by the leadership of Michigan's own Al Taubman, here tonight, will create 3,600 jobs, including many for those young creative workers we want to keep in Michigan.

Our success with the film industry is not an isolated example. The renewable energy industry is already providing new jobs and better lives across our state. Don't take my word for it. Ask the thousand people hired by Hemlock Semiconductor near Saginaw, the world's largest manufacturer of the key ingredient in solar panels. Ask the former Electrolux workers in Greenville who now manufacture solar panels for United Solar Ovonic. Ask them, and they will tell you what it feels like to earn a good wage in an industry that is growing by leaps and bounds.

And the great thing about this new energy industry is that, just like our auto industry, it creates all kinds of jobs for all kinds of people. The job your neighbor is looking for today and the job your child will go to college for tomorrow.

Jobs for electricians installing wind turbines in the Thumb. Jobs for machinists making the parts for those wind turbines in Eaton Rapids. Jobs for factory workers assembling wind turbines in Novi. Jobs for sales men and women selling solar panels in Auburn Hills. Jobs for workers to manufacture those solar panels in Greenville. Jobs for truck drivers hauling the waste from paper mills to biorefineries in the U.P. Jobs for carpenters weatherizing homes in Detroit and Muskegon. Jobs for manufacturing workers making energy-efficient siding in Midland. Jobs for engineers designing the electric car battery in Ann Arbor.

The fact that these jobs exist in Michigan today is no accident. These jobs are here because we put a strategy in place to bring them here – often by beating out other states and other countries to get them.

In December, we passed ground-breaking incentives to make sure the batteries that will soon power electric cars are made in Michigan. Thank you, Representative Gonzales, for your leadership on this legislation. Within weeks of passage, GM announced it will assemble the battery packs for the Volt, its new electric vehicle, right here in Michigan.

And A123 Systems, a Massachusetts company, announced it is seeking almost \$2 billion in federal loans to build up to 5 million electric car batteries a year and employ some 14,000 workers right here in Michigan.

They weren't just choosing Michigan because they like our lakes and thousands of miles of coastline. They chose Michigan because we acted to bring this industry here. We want the batteries here. We want those electric *cars* researched, designed and assembled here. And we want other kinds of alternative energy jobs.

Last year, I said that we would look attractive to renewable energy companies only if we, as a state, set a firm goal for the use of renewable energy. Thanks to you – and to Representative

Mayes and Senator Birkholz – that goal became law in October.

Barely a few months later, workers across Michigan began pulling down good paychecks because of your action.

Check this out: Since that law was passed, three wind turbine manufacturers announced their expansions in Michigan: Mariah Power in Manistee, Global Wind Systems in Novi, and Cascade Swift Turbine in Grand Rapids. Uni-Solar announced another new solar panel factory in Battle Creek. HSC announced a billion dollar expansion for solar panel materials near Saginaw. Dow Corning announced a new solar panel facility. These companies are generating thousands of jobs. And tonight, I'm announcing that Great Lakes Turbine will locate in Monroe, creating hundreds more jobs building wind turbines.

We have great engineers, a phenomenal manufacturing workforce, and you gave the catalyst we needed to attract those companies. But we need *more* jobs – a lot more. So tonight, I am announcing the next phase of our plan.

The demand for wind and solar power in this country is about to explode. President Obama has announced ambitious plans to double our nation's use of these renewable energy sources in just three years. As the nation's demand for renewable energy goes up, so, too, does the demand for the technologies and products that are critical to the new energy industry. We will seize upon this surging demand for renewable energy to increase the supply of good-paying jobs in Michigan.

So here's our next aggressive goal: By the year 2020, Michigan will reduce our reliance on fossil fuels for generating electricity by 45 percent. We will do it through increased renewable energy, gains in energy efficiency and other new technologies. You heard me right: a 45 percent reduction by 2020.

How will we reach this 45-by-20 goal and get the jobs that come with it? Instead of spending nearly \$2 billion a year importing coal or natural gas from other states we'll be spending our energy dollars on Michigan wind turbines, Michigan solar panels, Michigan energy-efficiency devices, all designed, manufactured and installed by . . . Michigan workers.

First, I will ask the Legislature to make Michigan the first state in the nation to let every homeowner, every business, become a renewable energy entrepreneur who can make money by installing solar panels or wind systems on their home or business and selling that renewable energy back to the power company. Through this legislation, we will create a powerful new market for large and small turbines and solar panels made by Michigan workers.

Second, I am asking our Public Service Commission to put our utility companies in the energy efficiency business by changing how rates are set. Today, these companies make money selling us electricity and natural gas. The more you use, the more money they make. Tomorrow, they'll make money by helping us use less of both.

Instead of investing in new power plants, they will invest in the products and technologies that allow us to use far less energy in our homes. Everything from fuel efficient furnaces to LED light bulbs will produce lower bills for Michigan consumers and more jobs for Michigan workers. Unlike the coal we buy from Wyoming and Montana, money we spend on energy efficiency will produce tens of thousands of jobs in Michigan.

As proof that it can be done, our state government has cut electricity use by 23 percent and saved taxpayers some \$60 million over the past three years. How did we do it? We installed energy saving light bulbs from Michigan companies in Troy and Detroit. We used Michigan-made heating and air-conditioning equipment from Michigan companies in Kalamazoo and Three Rivers. Michigan workers have caulked windows, blown insulation, and installed energy-saving devices. Saving Michigan money, creating Michigan jobs.

If state government can do this, you can too.

The third way we'll create jobs through our aggressive 45-by-20 goal is to create the Michigan Energy Corps to put thousands of unemployed Michigan citizens back to work this year, weatherizing homes, schools and other public buildings, installing renewable energy technology, and turning our abundant natural resources into renewable fuels.

In the next year alone, we've set a goal of weatherizing more than 100,000 homes in our state and installing energy efficiency and renewable energy technology in 1,000 buildings. Every one of those projects means new jobs for people who need them right now.

And fourth, we will launch a program called Michigan Saves in conjunction with our utility companies. Michigan Saves will allow Michigan families and businesses to weatherize their homes and install Michigan-made energy efficiency technology with zero up-front charges. The monthly savings will pay the cost of the improvements.

Achieving these ambitious goals will also lessen the need for a slew of new coal power plants in Michigan. That's why I have directed the Department of Environmental Quality to evaluate, in consultation with our Public Service Commission, both the need for additional electricity generation and all feasible and prudent alternatives before approving new coal-fired power plants in Michigan. One such alternative is developing technology to prevent coal plants from spewing dirty carbon emissions into the air. That breakthrough technology, and others like it, can create jobs here, too.

The nation is moving to a new energy future, but if we are willing to think strategically and act boldly, like we have in other sectors, Michigan can lead job creation in this area too. While this new energy sector represents our single best hope for new investment and new jobs, Michigan's diversification strategy has also targeted other emerging sectors from the life sciences to advanced manufacturing to homeland security. And we have similar results in those sectors.

In fact, since we made bipartisan changes to our economic development incentives last year, Michigan's economic development agency, the MEDC, had the best six months ever in its history for creating jobs: 55,000 jobs; \$4.7 billion of investment; 84 companies. This despite the recession. Just since August. Those jobs and businesses are listed on our Web site at www.michigan.gov/jobs.

In the year ahead, my motto will continue to be I will go anywhere, do anything to bring jobs to Michigan. My seven overseas jobs missions have brought 45 new businesses, \$956 million in investment, and nearly 11,000 new jobs to our state. This year, I will again go wherever there's an opportunity to bring jobs back to Michigan.

We are also creating new opportunities for Michigan's existing businesses through our Buy

Michigan First directive.

Since I issued an order creating a preference for Michigan firms, over 85 percent of your tax dollars spent on state contracts have gone to Michigan businesses. In the year ahead, we will require other units of government in Michigan – our cities and townships, our counties and school districts, our colleges and universities – to adopt their own Buy Michigan First policies. We all benefit when we spend our dollars with Michigan companies.

When I talk with people across Michigan they often ask, “What can I do to help?” Here’s my simple answer: Whenever you can, buy products made or grown in Michigan. There’s no reason we can’t all root for the home team.

Support Michigan. Select Michigan. Buy Michigan. Everything from Ford to Faygo. From Bell’s Beer to Blueberries. While we may court new investment from outside our state, our first love is the businesses that have long called Michigan home.

Education

To attract and grow quality jobs, we must have the best trained, best educated workforce. That’s why we’ve set an ambitious goal – to double the number of college graduates in Michigan. And we made progress toward that goal in many ways in 2008.

All of our students are now taking a rigorous high school curriculum that prepares them for success in college or technical training. It’s one of the toughest in the nation. All of our high school students now take a college entrance exam free of charge. All are eligible for a \$4,000 Michigan Promise scholarship that puts a college degree within the reach of every student. And today, we have a record number of students attending our state universities and community colleges. That’s progress.

In the year ahead, we will do more to help all students achieve the high goals we’ve set for them. Our 21st Century Schools Fund will help school districts replace high schools that *don’t* work, with small, rigorous ones that do. Plans are already under way in districts across our state, from Detroit to Flint to Holland, to create more than 25 of these rigorous new high schools that not only keep kids in school but put them on the path to success in college and in careers.

The success of the Kalamazoo Promise has inspired communities across the nation, but Michigan will now be the first state to replicate that achievement on a large scale. This year, 10 Michigan communities struggling with high rates of poverty will create Promise Zones that use the promise of free college education to spur greatness in our kids and economic development in those communities. Thanks to Representative Melton and Senator VanWoerkom for sponsoring this ground-breaking legislation.

And we must also help our teachers. We are very proud that Michigan was just named #2 in the country for our percentage of well-qualified teachers in the classroom. With all of our high school students now taking tougher math classes, we must continue to equip those teachers.

Beginning this summer, our *Algebra for All* initiative will give teachers across our state the professional development they need to teach algebra in a proven way that ensures all kids master it, whether they’re math whizzes or not.

Our efforts to expand educational opportunity are not limited to the young. Our No Worker Left Behind initiative will continue to train workers for skilled jobs that are available in Michigan today, providing free college tuition, up to \$5,000 per year for two years.

Our goal was to train the first 100,000 workers who signed up over a three-year period. We're over halfway there, with 52,000 Michigan citizens getting training through No Worker Left Behind for in-demand jobs such as nurses or electric linemen or welders or solar panel installers or computer technicians. Fifty-two thousand people, an army of determined citizens who have had the courage and the resilience to remake themselves, and in so doing, are helping us day-by-day to remake Michigan.

The two critical questions *we*, as leaders, must answer, are: How do we get more good-paying jobs in Michigan? And how do we make sure our people have the education and training to fill those jobs?

And the two critical questions our families must answer are: Where are the kids going to college after high school – not *if* they are going, but *where*? What training do mom and dad need to move up at work or get a new job in a new field?

Today, we are doing more in Michigan to make training and education *available* to citizens than at any time in our history. I am proud that we are creating these educational opportunities. But it is only Michigan families themselves who can seize such opportunities and build a better future and a better state.

Protect

As we fight for new jobs, we must do all we can to protect those who are hurting the most under the weight of this economic crisis. As Michigan's families struggle to keep their homes and their jobs, to pay their bills and send their kids to college, they need us to stand up with them and for them.

That is why we have added significantly more resources to the unemployment insurance system – a new call center, additional hours, on-line service, more employees – to handle the massive increases in volume. So tonight, I am proposing five additional, urgent measures to protect families during this economic crisis.

First, as we accelerate our push to get more kids to college, we cannot have them priced out of the market by tuition increases. I am asking Michigan's universities and community colleges to freeze tuition for the next academic year. No tuition hikes during this year of economic crisis.

Second, with thousands of families across our state facing the threat of home foreclosure, I call on the Legislature to pass the Home Foreclosure Prevention Act to give families 90 days to work out new financing for their homes without fear of foreclosure. Thank you, Representative Johnson and Representative Colouris, for your strong advocacy on this issue.

This is not a partisan bill – it is a bill that responds to the housing emergency facing Michigan families. Foreclosures devastate families, but they also undermine housing values for blocks and whole neighborhoods. I urge both chambers to act immediately, act as if the bank were demanding the keys to *your* home.

Third, I have asked the Public Service Commission to ban utility shut-offs for the remainder of this winter for seniors, people with disabilities, and low- or no-income households.

No more deaths like we saw last month in Bay City, where a 93-year-old man froze to death in his home after his utilities were shut off.

We must be sure this protection extends to customers of municipal utilities that are not subject to the PSC's authority. Thank you, Senator Barcia and Representative Mayes, for your leadership on this issue.

The fourth urgent measure – I call upon every auto insurance company to freeze rate increases for 12 months while the Legislature works to enact comprehensive insurance reform. After holding hearings across the state, Michigan's insurance advocate will tomorrow release a report showing that our citizens are paying among the highest rates in America for auto insurance they are compelled by law to buy. That report includes smart, specific proposals to give Michigan drivers the choices that citizens in other states have: solid coverage with fair and affordable rates.

If an insurance company refuses to freeze rates during this 12-month period, I am directing the Office of Financial and Insurance Regulation to use every administrative tool at its disposal to assure fair and affordable rates for Michigan consumers. Thank you, Senator Scott, for your consistent voice on insurance affordability.

Finally, despite our continuing fiscal challenges, it is urgent that we continue to protect the health-care safety net in Michigan.

In the budget I submit to you next week, I will ask you to join me in ensuring that we do not strip people of their health coverage in our quest to reduce spending.

For the last six tough years, we have refused to take the easy way out by cutting health care to those who are the most fragile. I'm proud that we have not cut a single child, or senior, or person with a disability off of health care. Not one.

I am asking you to join me in continuing to protect those whom people of faith often call "the least of these" – who are often invisible to those in the halls of power. Let us commit, during this recession, to be guided by our best angels, as we protect those least able to defend themselves. Denying health care to the vulnerable merely increases the cost for those who are fortunate enough to have coverage. That's not the answer.

One final word about health care. The National Governors' Association has asked me to co-chair a bipartisan group of the nation's governors that will make recommendations to the president on providing affordable accessible health care for all. I will carry to President Obama Michigan's experiences, your stories, the stories of our families and our businesses struggling to compete in a world where other countries provide health care for their people.

Michigan's message is clear: We must have affordable, accessible health care for all Americans.

Conclusion

Protecting Michigan families from the harsh winds of an economic crisis. Giving our young people and adults in the workforce the skills they need to succeed in a new economy. And creating the good-paying jobs Michigan families need to lead successful lives in the state they

love.

Those of us chosen to lead Michigan in this time of crisis cannot shrink from this challenge. So consider: Is it harder to balance the state budget or the budget of a family that's just gone from two paychecks to one?

Does it take more courage to say no to some special interest lobbyist or to tell your spouse and your children that you have no job to go back to Monday morning?

No, the challenges we face as leaders don't compare to what Michigan families must overcome every day.

I began this evening by talking about Michigan families, their problems and their fears. Let me introduce you to two of those families.

Tyler and Diana Sutton live in Bay City. Tyler is 44. When he lost his job as the manager of a sporting goods store two years ago, he wasn't sure what to do next. He'd been in retail for 20 years; no one was hiring. He had three kids; one is about to go to college.

While he was on unemployment, he learned about No Worker Left Behind and the training it provided to fill jobs available in the chemical industry. He enrolled at Delta College where he earned an associates degree in chemical processing within a year and a half. Today, he's got a good job with good benefits as a processing technician at Dow Corning. And he'll tell you he loves it.

Sitting next to the Suttons are Dwayne and Barbara Hicks from Fraser in Macomb County. When Dwayne lost his third job because of the economy, after 20 years in the tool and die industry, the Hicks family faced a tough decision. He could take a trades job in South Carolina, or he could go back to school at age 44 for a new career in Michigan through No Worker Left Behind. They chose Michigan.

While Dwayne had never been to college, he's now enrolled at Macomb Community College where he's earning a degree in information technology. Both Dwayne and Tyler had to swallow their fears about becoming students again in middle age; charting a new life course at almost the halfway mark. Dwayne wrote me a great thank you letter in December. He explained:

Even though I had received an announcement from the state [about the No Worker Left Behind] program, I was reluctant to accept it, partly because I believed that someone with my capabilities could indeed secure work and partly because at 44 years of age, I had fears that I might be unsuccessful pursuing an education.

But he did accept the state's offer to pay for retraining, and he's almost finished and getting a 3.5 GPA.

This is how he closes his letter:

I feel that we must pull together to get through this rough patch of road and do what is necessary to create an even better Michigan, a place the rest of our great country can look at and say "they grow leaders there."

Amen Dwayne.

A wise person once said that “courage is the ability to sacrifice what we are for what we could become.”

Michigan must summon just such courage to abandon the old ways that no longer serve us. If there are leaders and heroes in this economic crisis, they are the Suttons and the Hicks and the families like them who face head-on the challenges of change with the courage to grow in a new direction. In the midst of heartache and strife, they fixed on hope and strength to build a better future. Their hope is Michigan’s hope. Their strength is Michigan’s strength. And fixed on that hope and that strength, we, together, *will* build a better Michigan.

God bless you all, and God bless the great state of Michigan.