



MICHIGAN'S BLUEPRINT FOR A BRIGHTER FUTURE





Once a growth state, Michigan has fallen behind. Our state is lagging its neighbors and the country on most economic well-being metrics. Only a few states saw weaker growth than Michigan in recent years: The state is near the bottom in population, income and job growth since the COVID-19 lockdowns.

It is not just the Michigan weather. Some of the fastest-growing states have their fair share of cold air. Ohio, Indiana and Wisconsin have similar climates, and all three are growing faster. Idaho has cold winters but is one of the fastest growing states in the country in population and household income. Beautiful and temperate California is rapidly losing people to the desert states of Arizona and Nevada.

Michigan's geology is not holding it back either: Our natural resources are as good as or better than those of most states. The Great Lakes and thousands of inland lakes are huge draws. We have oil and natural gas deposits. Michigan has an international border with the United States' largest trading partner, Canada, and the state is connected to the nation's most important canal and locks systems. And, yes, cold winters — but that means snow activities and an economic advantage for the emerging tech sector, which runs on massive servers that need to stay cool.

But the people and politicians of Michigan are finding out the hard way that policy matters. We cannot go on finessing the state's troubles. We need policies that are producing strong economies in other states.

Too often politicians and bureaucrats try to fix Michigan's anemic growth by trying to hold on to past industries or deploy short-term, flashy programs they call "economic development." They hand out subsidies to politically favored industries and businesses and hope for the best. They achieve little more than distracting voters from structural problems that are preventing Michigan's growth.

The state needs a new strategy. With your help, we will shift the window of political possibility away from central planning, corporate cronies and labor bosses and toward the people who work, earn, live and pursue happiness in Michigan. By focusing on ideas that are proving out in our local neighborhood of the Great Lakes and nearby Midwest, along with states that track Michigan's size and population closely, we have narrowed the field to fights we can win.

The good news is we do not have to start from scratch. Michigan is leading the pack on some important policies. But many laws are out of date or out of alignment with what Michigan needs to grow. The solutions below have a single focus: making it less costly for people to live and invest in Michigan. They increase competition, bring down costs and expand economic liberty.

This is the Mackinac Center's blueprint for a brighter future in Michigan. We look forward to working alongside you to revitalize our state.



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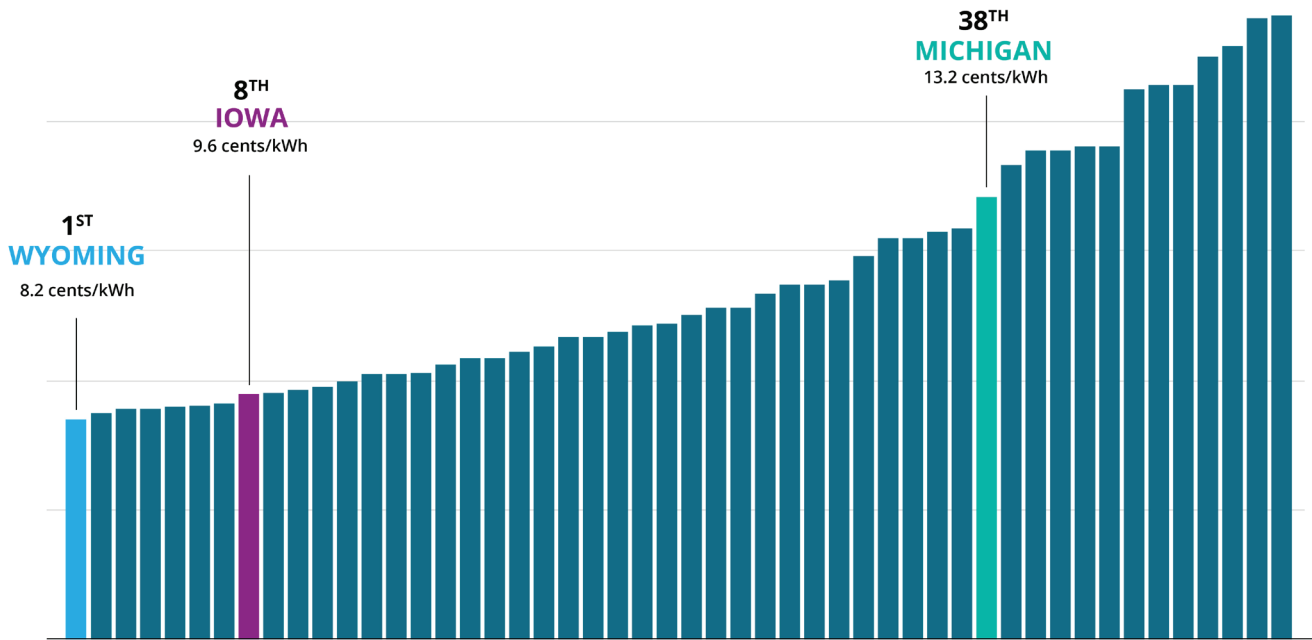
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RELIABLE AND AFFORDABLE ENERGY

Michigan is severely limited by high electricity costs. This makes it harder for businesses to choose to come to Michigan and more expensive for everyone who lives and works in the state. And we get nothing for the higher prices — the state’s electric grid is one of the nation’s least reliable. Put simply, we pay far above-average prices for far below-average service.

Electricity Costs By State



Source: U.S. Energy Information Administration, 2023

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From 2002 to 2008, Michigan had open competition in energy production, and residents benefited greatly. Electricity rates were the most competitive in the Midwest and energy reliability was solid. But lobbying by the state’s big monopoly utilities convinced legislators to restrict the state’s electricity services in 2008 and give 90% of the market to the monopoly utilities. Residential electric rates have increased 65% since then.

Michigan residents pay the highest electricity rates in the Midwest and have twice as many outages per year. When energy costs are this high, businesses cannot grow as quickly, and people are less likely to move into Michigan or stay here. And when outages occur as frequently as they do now, the results can be deadly. Blackouts in recent years have caused people to freeze to death or suffocate from carbon monoxide poisoning after they were forced to use generators.

Major Power Outages Since 2000

Michigan	174 (3rd among states)
Ohio	98 (6th among states)
Illinois	78 (13th among states)
Indiana	72 (16th among states)
Wisconsin	32 (33rd among states)
Minnesota	31 (34th among states)

Source: U.S. Department of Energy

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Specific policy

Michigan needs reliable and affordable energy, which means ceasing the rushed closure of reliable coal, nuclear and natural gas generation plants. The state should conduct a full accounting of the true costs of unreliable energy sources like wind and solar, which includes the enormous subsidies, government mandates, new transmission lines and the fact that they provide only intermittent power.

Energy policy should be neutral about generation sources. The state should repeal mandates and special subsidies and tax provisions for all forms of energy. Producers should compete on an open, level playing field. Michigan needs a reliable grid, powered by steady energy sources. Citizens and businesses need a competitive system where they can freely choose their own electricity providers.



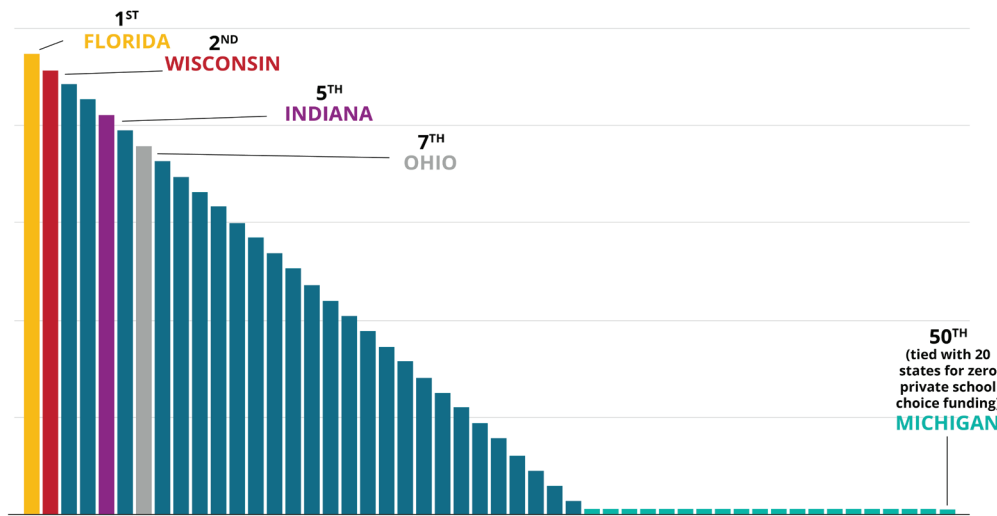


EDUCATIONAL OPPORTUNITIES

For most of two years, students in Flint were locked out of the classroom at the behest of the teachers union and some school and health officials. The surrounding charter and private schools were mostly open. The results are clear: School lockdowns harmed student achievement while doing nothing to prevent the spread of COVID-19.

But Michigan was already imposing a 50-year educational lockdown. We lock low-income students out of better private schools. Rich kids have school choice — their families can move into better school districts or pay tuition. Low-income students have little option beyond the local public school.

Private School Educational Choice

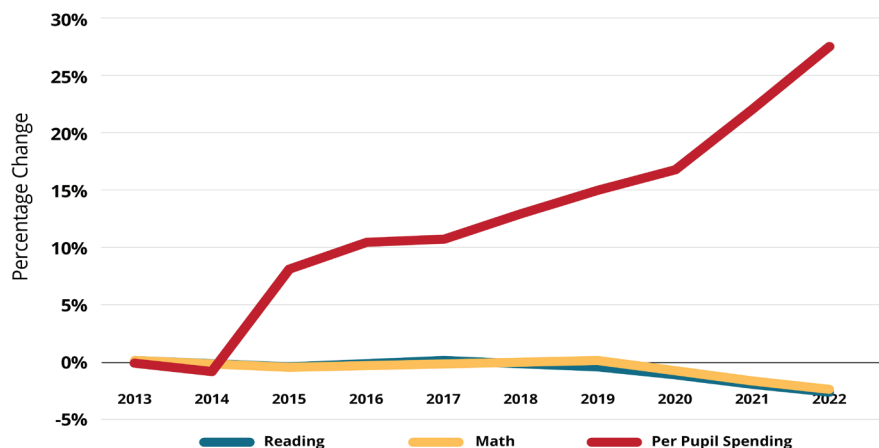


Source: EdChoice, 2023

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State lawmakers have tried repeatedly to fix public schools while locking out competitors. They trot out the same “solution” each time: Hand out more money to school districts and hope for the best. It has not worked: Spending is up while achievement is stagnant or down. Surveys consistently show that parents want more choice and schooling options.

Michigan K-12 Spending (Adjusted for Inflation) and Student Achievement



Source: MDE, National Public Financial Education Survey and NAEP

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The major roadblock in Michigan is the so-called Blaine Amendment in the state’s constitution. This 50-year-old Michigan policy based on 150-year-old anti-Catholic bigotry prohibits any public support for parents who choose private schools.

Specific policy

Michigan needs to eliminate its discriminatory Blaine Amendment. If our courts will not throw out this outdated, bigoted law, voters must repeal it with a constitutional amendment. This would open the door to choice in education for Michigan families. Twenty-two states have expanded school choice since the pandemic, but not Michigan.

Lawmakers need to pass a full school choice law after the Blaine amendment is repealed. The money should follow the student whether the student attends a public, private, charter or trade school, and it should be available for homeschooling and tutoring, too. Parents are the best judges of what educational services will best fit their kids’ unique needs.

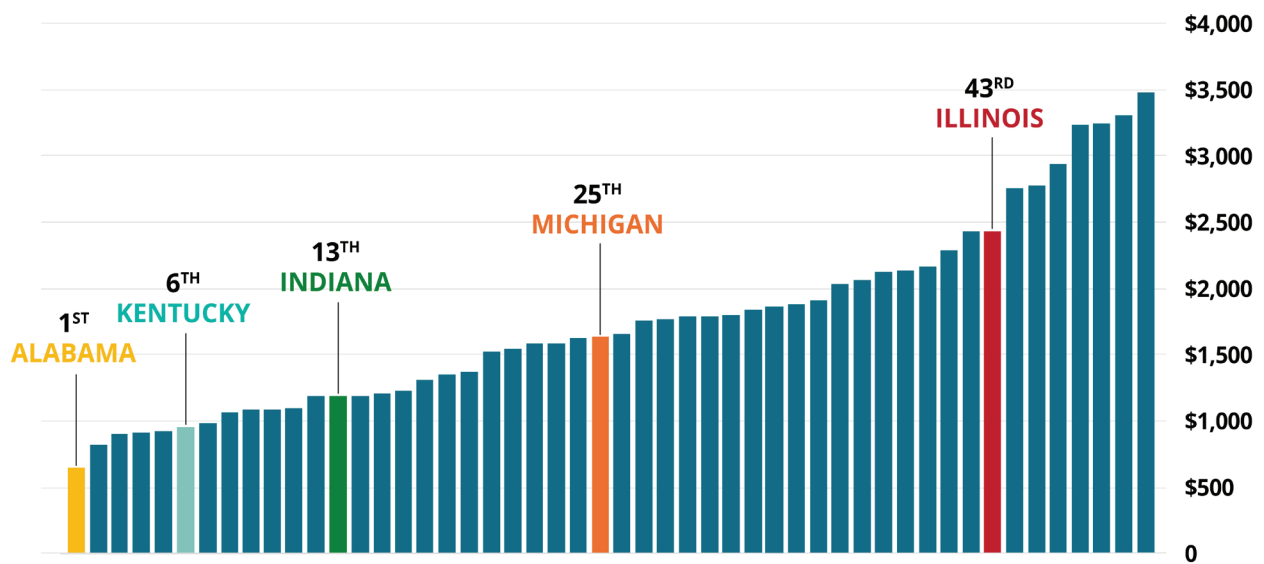


LOWER, FLATTER AND FAIRER TAXES

Michigan has some advantages when it comes to taxes, including a flat income tax and constitutional caps on property tax increases.

Michigan’s property taxes are lower than those in Illinois (one key reason for West Michigan’s growth is immigration from ex-Chicagoans). But property taxes are much higher than in neighboring Indiana and Ohio, which is an especially big deal for retirees and others on a fixed income.

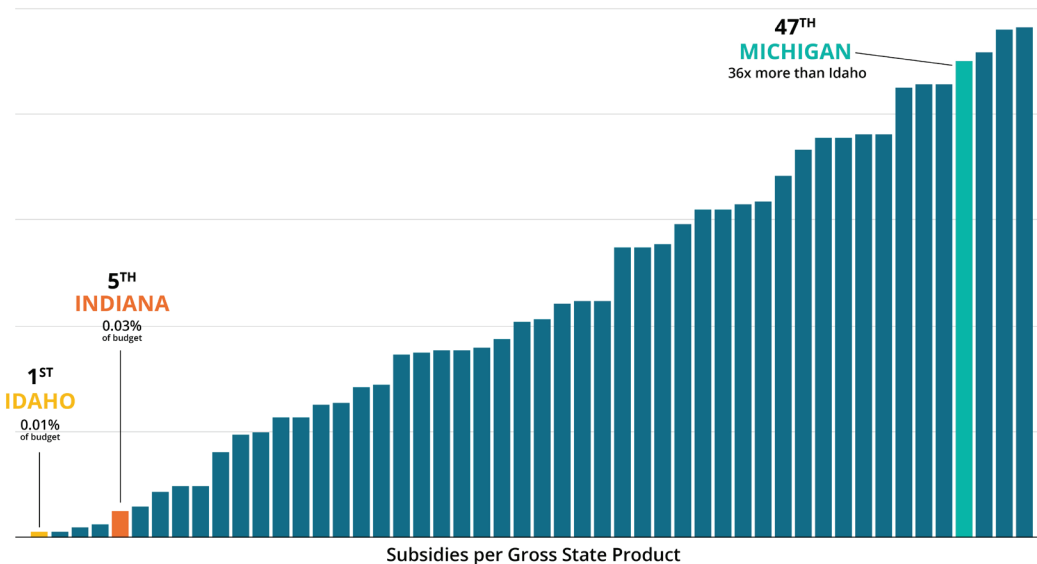
Property Taxes



Source: Tax Foundation, 2024, property tax collections per capita

Taxes are much higher than they need to be because Michigan politicians continue to finance one of the most expensive corporate welfare programs in the country. Lawmakers could afford to cut the state income tax significantly if they would just stop lavishing select businesses with taxpayer subsidies.

Amount of Corporate Handouts By State



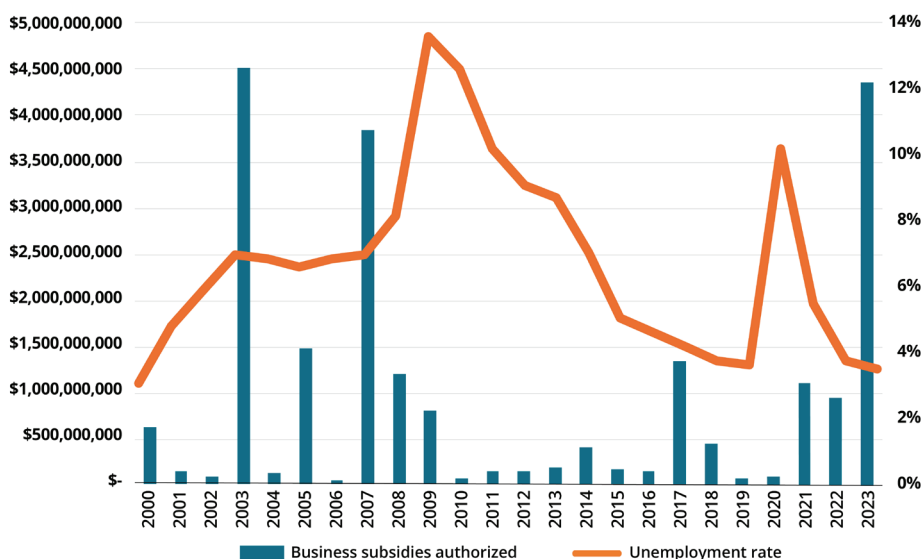
Source: Mackinac Center analysis of New York Times database, 2022



Michigan spends far more than our neighbors do on select corporate subsidies. Some of the fastest-growing states handed out the least corporate welfare. These subsidies have no correlation with a state’s overall economy and often paper over deeper economic dysfunctions.

Instead of authorizing \$4.5 billion in corporate incentives during a single legislative term, Michigan could have eliminated business taxes for everyone. Taxing all businesses to redistribute the proceeds to just a few is unfair and ineffective.

Subsidies Authorized and State Unemployment



Source: Mackinac Center and Bureau of Labor Statistics



Specific policy

Michigan must eliminate corporate welfare, use the money to cut the income tax in half, and slowly phase it out altogether. The highest-growth states have no personal income tax. Michigan should work toward that standard.



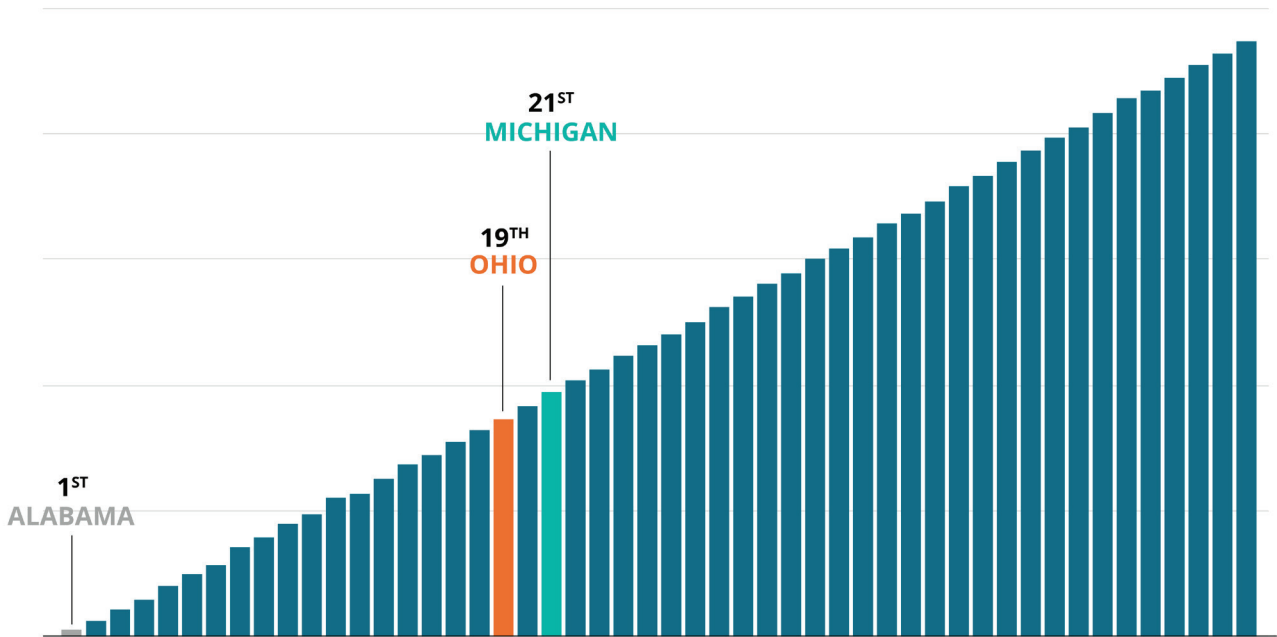
ABUNDANT HOUSING

Michigan’s low housing costs were a draw for decades. But the state has squandered that advantage. While still reasonable compared to the coastal states, rent and the cost to own a home have increased significantly in Michigan.

The answer from lawmakers has been to subsidize demand, in the form of paying a large portion of the costs of some apartment buildings around the state. Michigan spends up to \$250,000 to subsidize each rehabbed apartment unit. That means the cost to the taxpayer for subsidizing a single apartment unit is more than the typical home cost of just a few years ago.

This will not work. Michigan is committing itself to spending billions in a wasteful and ineffective way. A much better option would be to rightsize permitting and regulations in order to increase supply and bring down costs.

Housing, Property and Land Use Freedom



Source: Cato Institute, 2021

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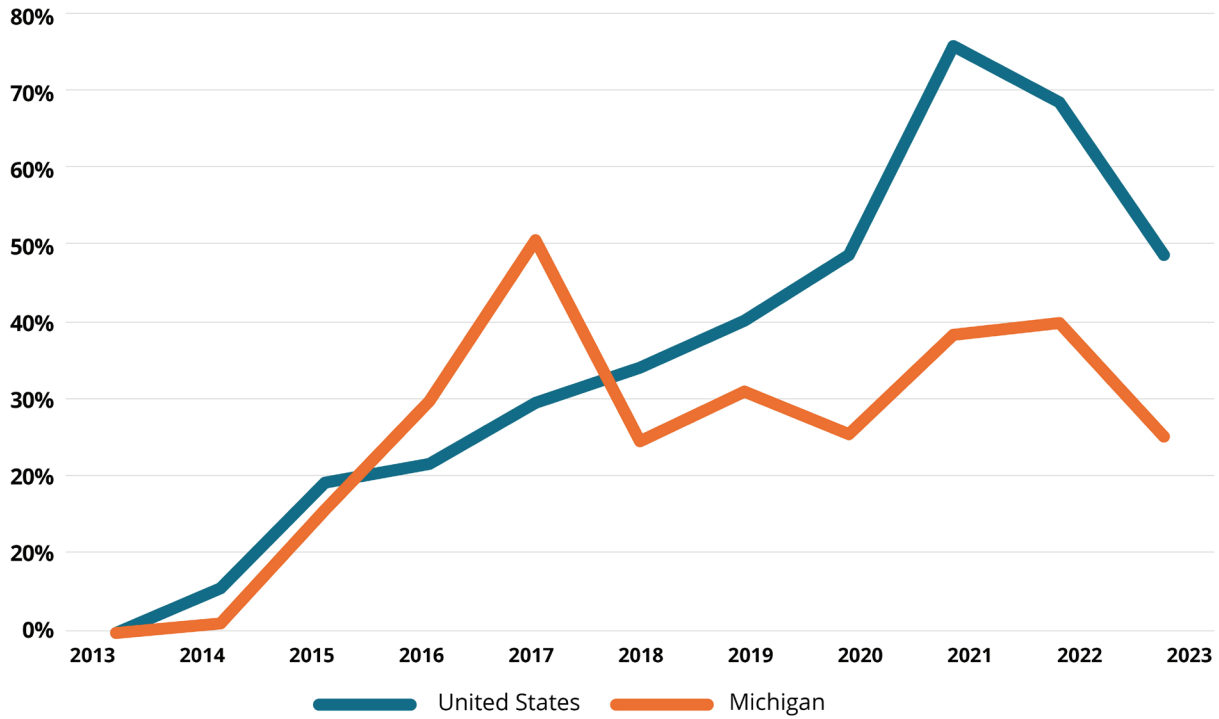
Policy solution

Michigan needs to speed up the rate of processing permits at the state and local level. We should eliminate many licensing requirements for builders and workers, not add new mandates. And lawmakers need to pursue statewide zoning reform. Restrictive zoning laws have caused skyrocketing builders’ costs and often

eliminated building opportunities entirely. State officials should prevent zoning rules that have nothing to do with public safety, like minimum home sizes, mandatory parking spots, setback limits and aesthetic requirements.

Local governments should get on board by allowing more multifamily housing in their cities and towns. Zoning and permitting take way too long — often years. Municipalities should pass pre-approved building plan sets, as they do in other states, which cut down on regulatory costs, inspections and approval time. The government across all levels should flip the script — projects are assumed to be approved unless denied for good reason in a reasonable timeframe. All of this will help Michigan catch up with and even surpass the rest of the country in affordable housing.

Housing Unit Permit Growth from 2013



Source: Census Bureau

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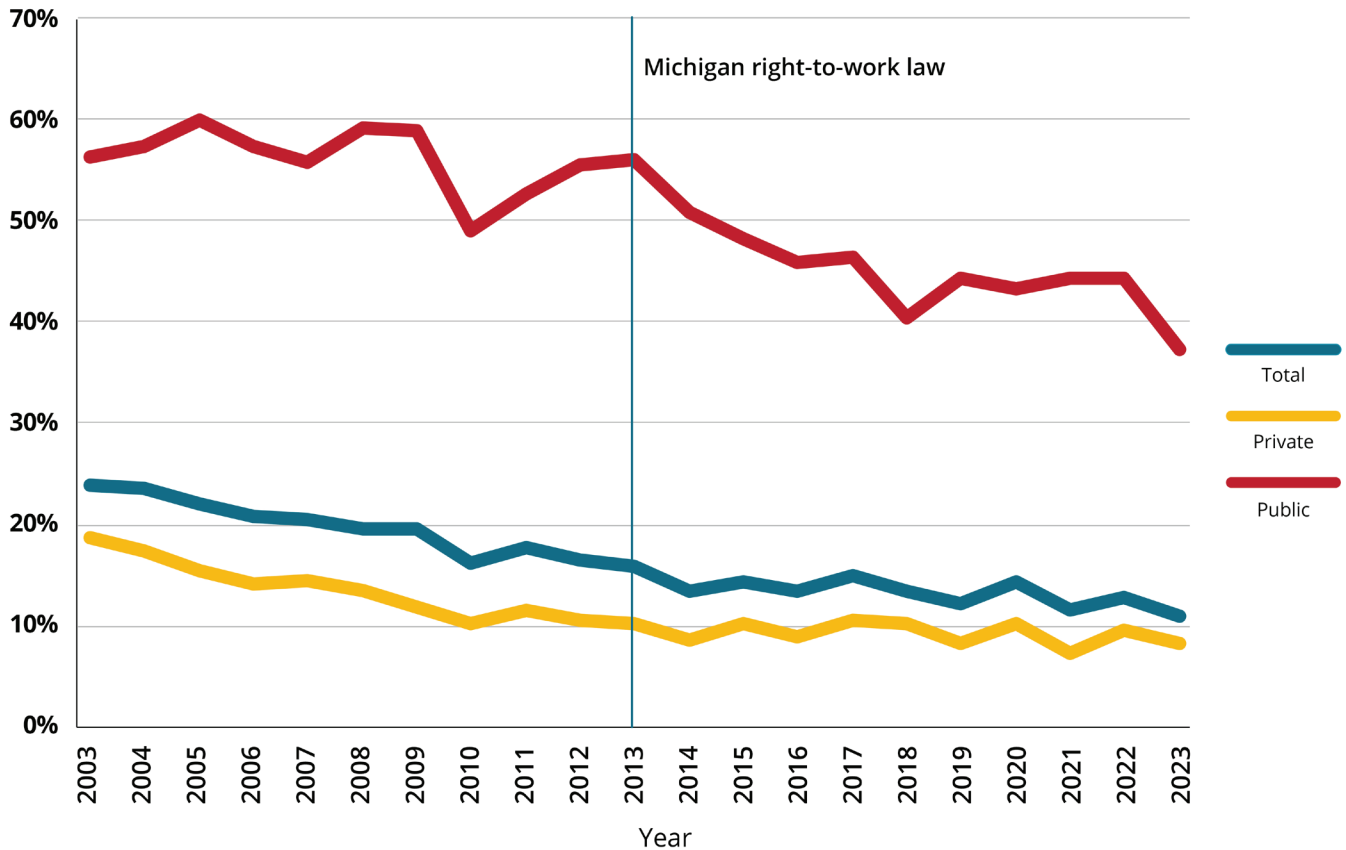




LABOR CHOICE

The union model in Michigan is broken. It is based on pre-World War II laws meant to address labor issues that no longer exist. Unionization rates have plummeted in Michigan at a faster clip than in any other state over the past 10 years.

Union Membership Percentages in Michigan, 2003–2023



Source: U.S. Bureau of Labor Statistics Annual Survey

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But Big Labor still fights to hold on to the past, when unions could simply coerce workers to support them. Unions fight for policies that benefit their officials, not the dues-paying union members. They routinely endorse candidates and promote policies that run counter to the interests of most workers.

Pro-union laws from the federal government and at the state level still tilt the game in the unions' favor. And union money flows from state to state, often supporting more coercion. We cannot solve Michigan's problems without taking on the labor unions everywhere.

State Labor Laws Worker Freedom Grade

Indiana	A+
Wisconsin	A
Ohio	D
Pennsylvania	D
Michigan	D-
Illinois	F

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Source: Commonwealth Foundation, "Grading State Public Sector Labor Laws" report, 2024

Policy solution

Michigan and the country need labor laws that give workers choice and require unions to compete. This means a repeal of the 1931 Davis-Bacon Act and prevailing wage laws. These laws eliminate competition and mandate union wages regardless of market demand.

Right-to-work laws, which give private sector workers the choice to support a union, should become the norm. States should adopt opt-in policies for all government employees, including teachers, state workers, police and firefighters. They should know that they have a constitutional right not to pay a union so they can make informed decisions.

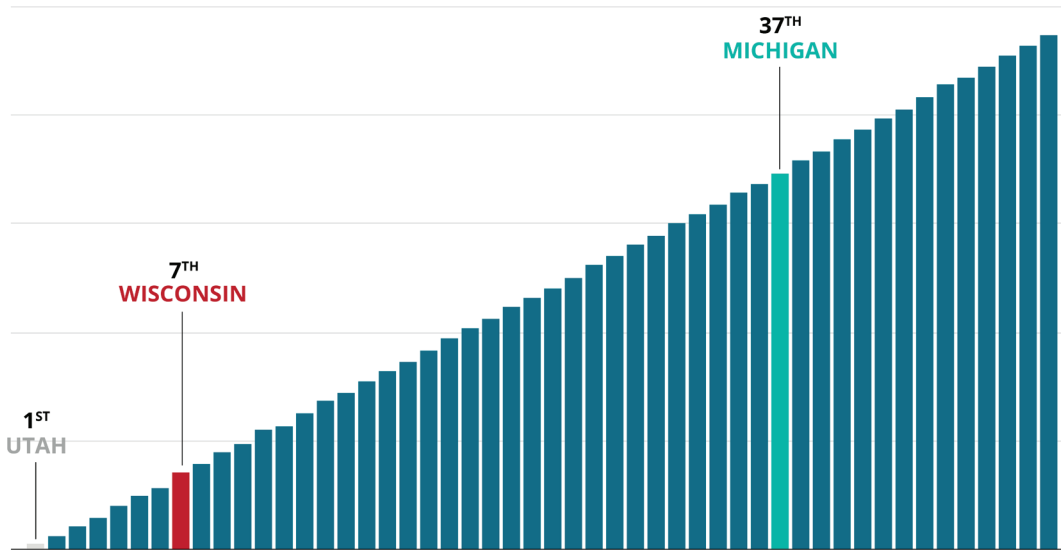




FISCAL RESPONSIBILITY

The state closest in population to Michigan is North Carolina. Both states have about 10 million people. But North Carolina's entire state budget is just under \$60 billion, while Michigan's surpasses \$80 billion.

State Fiscal Stability



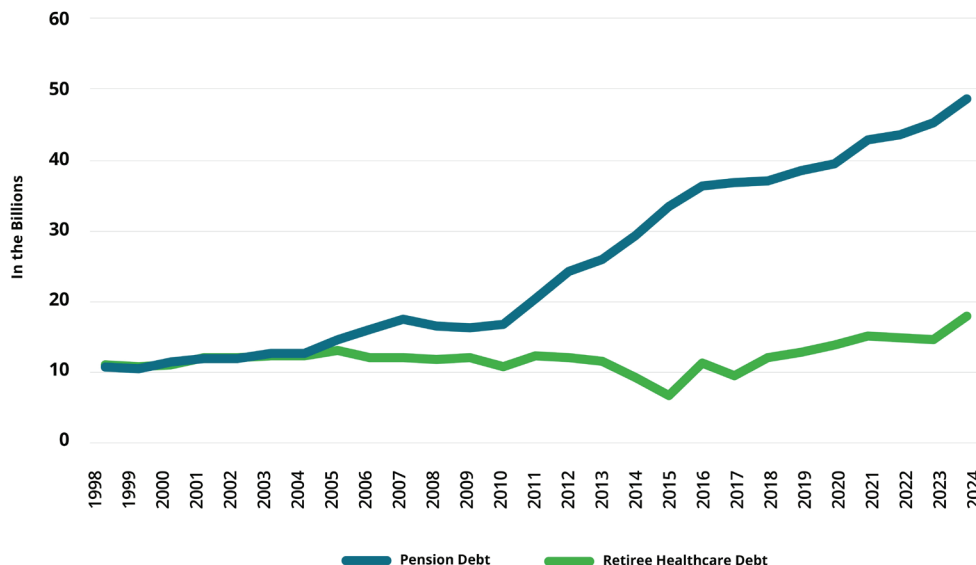
Source: U.S. News & World Report analysis of state pension funding and credit rating, 2023

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Are services 25% better here than in North Carolina? Are roads and bridges superior? Do Michigan students learn more? Do we have better public health? Or better run prisons?

Michigan needs fiscal responsibility. Higher government spending is not correlated with better services. We need to prioritize how the state spends tax dollars, pay down our debt and stop wasting money.

School Retirement System Debt



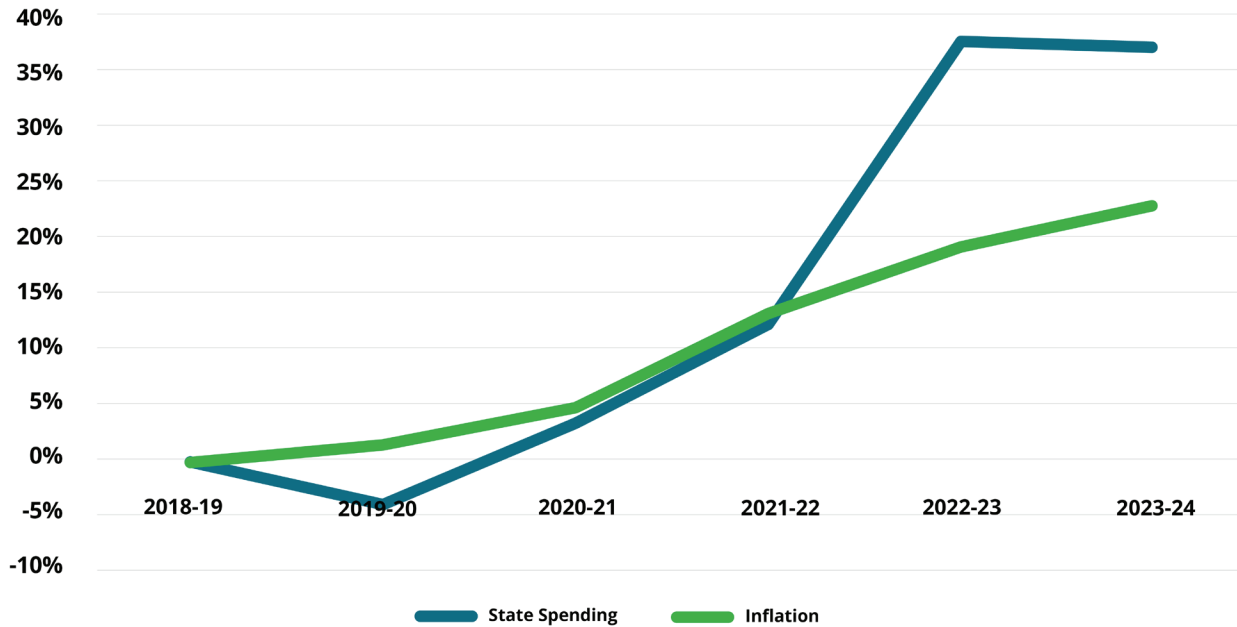
Source: Michigan Office of Retirement Services

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Policy solution

Michigan’s budget should not increase faster than population and inflation. Extra revenue should go toward paying down our \$50 billion in debt owed to the state’s retirees or be used to phase out the income tax.

State of Michigan Spending and Cost of Living



Source: Michigan Senate Fiscal Agency and U.S. Bureau of Labor Statistics

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CONCLUSION

Michigan's elected leaders have skewed incentives. The push is for government to "do something" rather than to do less. Special interest groups observe a "trough truce" by which they agree to provide united support for all government spending, no matter the recipient. Politicians generate press releases, ribbon cuttings and media coverage for spending or redistributing money, while paying little attention to actual results.

These incentives help many lawmakers in the short term, but they are harming Michigan in the long term. Spending has increased, but actual economic gains are hard to find. While pet pork projects get billions, debt is less of a priority. Special interests, lobbyists and associations get a piece of the pie, and the pie gets smaller for ordinary citizens.

In recent years, the state of Michigan's priorities can be summed up in one word: Big. But not in a good way. Lawmakers are not allowing big, transformational ideas driven by the private sector and entrepreneurs. They are tilting the playing field toward Big Labor, Big Business and Big Government. That's small-minded.

It will take men and women of courage and integrity to turn things around. We need business groups and associations to work toward the common good for everyone (not just fight over a sliver of the pie). Lawmakers must govern for all, rather than for a few. Citizens need to see the big picture, not get fooled by flashy projects or press-release economics.

Fairness, not favoritism. Competition, not coercion. That's the blueprint for a better future in Michigan.



The Mackinac Center for Public Policy is dedicated to improving the understanding of economic principles and public policy among private citizens and public officials. A nonprofit and nonpartisan research and education institute, the Mackinac Center has grown to be one of the largest state-based think tanks in the country since its founding in 1987.

Additional information about the Mackinac Center and its mission to improve the quality of life in Michigan through sound public policy can be found at www.mackinac.org.

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