

## Put State's Budget Surplus to Work

Columns

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*The New Year brought Michigan good news: U of M and MSU won bowl games; Michigan's manufacturing economy is leading the nation's economic rebound; and, lo and behold, a state budget surplus emerges — realistically in the \$400 million range. It is important, as the governor polishes his State of the State Address and the legislature reconvenes, to put the money where it matters most to drive Michigan's economy.*

*I applaud Governor Snyder for leading tough changes in 2011 to honestly stabilize Michigan's fiscal situation, simplify the tax structure, and drive reforms in state and local government services. And Michigan probably needs to go an extra mile, given our historic reputation as a high-cost state (no longer accurate) to signal that we are competitive.*

*But for long-term job creation, Michigan needs more than a "business-friendly" tax and regulatory environment. We need strategic investment in Michigan's assets that are the foundations of economic growth, and that the private sector doesn't pay for: well educated people; strong, affordable universities driving innovation; clean lakes and rivers; modern transportation and communications infrastructure; cities with vibrant arts, culture, parks and libraries.*

*After years of an eroding tax base, these Michigan assets are severely degraded, inhibiting the state's ability to promote itself abroad or keep our "home-grown" talent. Witness the \$1+ billion transportation funding deficit named by Gov. Snyder in November, and recent press accounts showing Michigan's great public universities being priced out of reach.*

*At a New Year's party I was talking with a friend, a mergers and acquisitions financier from Detroit. She was bemoaning the decision (then just announced, now reversed, sort of) not to build Detroit's light-rail line on Woodward, keeping Detroit once again from joining the party of modern global cities.*

*She said: "Why would Lydia (referencing my college-age daughter) want to stay here, when we can't even find a way to pay for that?" Coming from her, a successful international businesswoman, unsolicited, was a powerful reminder we need assets like transit that lead and create economic development.*

*Michigan's inability to support economy-shaping public goods is a function of both diminished tax receipts due to Michigan's down-economy and an eroded tax base. We've lowered the personal income tax rate for 12 years, we're now \$8 billion below the Headlee tax limit, and we aren't applying state sales tax to the growing two-thirds of our economy (services). It's no wonder we can't pay for roads and bridges, schools and teachers!*

*Leaders in other states are creatively tackling similar deficits. They're passing dedicated revenue streams: \$2.3 billion for university-led innovation under Ohio's 3rd Frontier program, which has been evaluated to show a \$10-1 ROI; Minnesota's \$6 billion over 25 years for water, parks and arts, through a Clean Water, Land, and Legacy Amendment. In California, unlikely bedfellows, including Google's Eric Schmidt, Eli Broad, Condoleezza Rice and George Schultz, are part of the "Think Long Committee" behind a \$10 billion ballot initiative for public investment. A similar effort, the "Bright Colorado" Initiative, would put new taxes to work specifically for education in that state.*

*Now we suddenly have a budget surplus in Michigan. In deciding what to do with it, we must remember: money talks. Budgets reflect our state's priorities. When we spend more on prisons than universities, when we cut K-12 schools and water clean-up, while lowering business taxes, it speaks to what we do and don't value.*

*To be sure, put a good chunk of this one-time budget surplus into the rainy day fund (it will rain again). But take the bulk of it, and put it into visible down-payments on important priorities for the future. At a minimum, Governor, I hope you will send a clear signal that your talk of providing help for teachers, rebuilding cities, keeping young people in Michigan and protecting our great universities was more than just that, talk.*

*To that end here are a few specific suggestions — informed by what competitors are doing — of where to invest this money:*

**Education:**

- *\$25 million for 10,000 Master Teachers (like North Carolina, which has 18,000 National Board Certified Master Teachers in classrooms, to Michigan's 381)*
- *\$10 million for dual-enrollment high school early college credit taking (like Utah, which pays the bill for "Any Time, Any Place, Any Pace Learning")*
- *\$10 million for early childhood investment, a commitment that just helped nine states, including (gulp) Ohio, win \$500 million in federal Race-to-the-Top funds that Michigan lost out on (again).*

**Innovation:**

- *\$25 million state match for competitive R&D won by our universities (like Indiana, which rewards "success" with success)*
- *\$25 million for University-Innovation Centers, supporting advanced manufacturing and commercialization of new technologies (like (gulp) Ohio's Edison Centers)*
- *\$25 million for performance-based bonuses for colleges that deliver improved outcomes (like over a dozen states, including (gulp) Ohio, that today have more affordable universities than Michigan).*

**Infrastructure:**

- *\$50 million into the state infrastructure bank for strategic transportation funding (like California's I-Bank and dozens of other states' programs), for Detroit light rail and other strategic priorities.*

**Cities:**

- *\$25 million for Arts and Culture Funding (like Michigan invested when we were a national leader)*
- *\$40 million to jump-start urban redevelopment in core cities around anchor institutions like hospitals and universities (as Boston and New York City have done).*

**Outdoors:**

- *\$15 million more for the "Pure Michigan" campaign (no one else has "Pure Michigan")*
- *\$25 million for water cleanup (like Minnesota), to make "Pure Michigan" actually true!*

*There, we've just smartly invested \$275 million...and we don't just feel better, we will be better at creating jobs and growing incomes.*

*All evidence points to the richest states, with rising incomes, aren't lowest-tax or highest in "business-friendly" rankings. Instead, they have the best educated people, functional infrastructure, and they leverage their special assets, like our great universities, historic cities, Great Lakes and outdoors.*

*Michigan can succeed by making a reality of great schools, great universities, functional cities people want to live in, and a "Pure Michigan" lifestyle that is real, not a marketing campaign.*

*Let's use this budget to send that message.*

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