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Gov. pushes job-creating programs In State of State speech, she proposes business tax credits, using pension money to lure firms.

Mark Hornbeck, Charlie Cain and Gary Heinlein / Detroit News Lansing Bureau

LANSING -- Two job-creation initiatives totaling nearly a half-billion dollars were announced by Gov. Jennifer Granholm in her State of the State address Tuesday as part of her plan to pump life into Michigan's flagging economy.

The governor called for using \$300 million in state employee pension funds to invest over the next three years in young, high-growth companies looking to build and create jobs in Michigan, which leads the nation in unemployment.

She also wants job-creation tax credits, totaling \$35 million a year for four years -- one-time offers for businesses in the 50 fastest-growing industries in the nation, including alternative energy, health care and educational services.

"Michigan gets cutting-edge businesses and jobs," Granholm said. "Michigan will now be in the top three states in the nation for making investment capital available to successful entrepreneurs who create jobs here."

In her hour-long speech delivered to a statewide audience via public television and radio, the governor also said she wants to add 100 State Police troopers to beef up public safety; invest nearly \$1 billion in road and bridge construction, university buildings, state parks, airports and other projects as an economic stimulus to create 28,000 construction jobs over the next two years; and pour \$50 million into promoting tourism and investment in Michigan.

Growth, without new taxes

The business tax cuts and new investments will be done with \$200 million in budget streamlining, debt refinancing and the sale of bonds -- but no new tax hikes, the governor said. Treasurer Bob Kleine said the state will refinance about \$1.9 billion in bonds to create \$160 million in savings over the next three years. The governor also plans to sock away \$100 million in the rainy-day fund.

Last year, Granholm and lawmakers raised taxes by \$1.4 billion to bail the state budget out of a deficit.

The governor sounded her favorite theme: Invest heavily in alternative energy industries as a way to offset jobs lost in manufacturing. She said solar, wood, wind, water and even waste should be part of the equation.

She talked about leveraging \$6 billion in investments in alternative energy over the next eight years by Consumers Energy and DTE. Most of that would be in wind energy, as Granholm repeated her call for the state to produce 10 percent of its electricity through renewable sources by 2015 and 25 percent by 2025. The governor said the investment would create 17,000 jobs. The trade-off: The Legislature would have to approve an energy package that would limit competition in the electricity market as the giant utilities have sought.

That plan was quickly blasted by the Customer Choice Coalition, a group that represents electric customers of all sizes as well as independent power producers that are competing

and offering lower prices in Michigan. It said utility customers, not shareholders, would pay the cost, and that the utilities wanted to start charging rate payers as soon as construction began rather than when a project was completed.

"We have a better idea," said Barry Cargill, executive director of the group. "Rather than hand Consumers Energy and DTE the sole source contract to provide Michigan with electricity, let's allow many companies to compete to provide wind power, nuclear power, coal power, methane power, energy efficiency plans and more to meet Michigan's future energy needs. "And instead of forcing Michigan citizens to hand over their dollars to the utilities, how about encouraging companies to seek investment from around the world to build new plants in our state. Already, at least three other major companies and numerous renewable firms say they want to build plants using investor dollars, not customer dollars."

Granholt also would eliminate gas taxes on ethanol and bio-diesel to make sure those alternative fuels are competitive with gasoline.

"If we do this right, Michigan can be the alternative energy capital of North America and create thousands and thousands of jobs," she said.

She also gave credit throughout the speech to Republican lawmakers and sounded a tone of cooperation following a year of rancor and partisan bickering.

"This is not a time for procrastination or for partisan nonsense," the second-term governor said in delivering her sixth annual message on the condition of the state.

Optimism from Legislature

The governor acknowledged that Michigan remains in economic doldrums that could be exacerbated by the national downturn.

"While our state struggles, our nation's economy is slowing," Granholt said. "The threat of recession is real. Across our nation and here in Michigan, families are seeing their homes foreclosed. Gas prices have soared. Insurance rates are up. The cost of sending a child to college is rising every year."

Senate Majority Leader Mike Bishop, R-Rochester, said that Republicans and Democrats can come together on many of the governor's proposals.

"She touched upon about every priority of state government," Bishop said. "All of us can agree in principle, but the devil is in the details."

House Speaker Andy Dillon, D-Redford Township, said: "The governor set the right tone for the state of Michigan: bipartisan cooperation and a focus on alternative energy."

Ideas for schools, movies

Also included in Granholt's address to a joint session of the Legislature:

- A plan to create up to 100 high schools of 400 or fewer students to enable more personalized instruction, as first reported this week in The Detroit News. The schools would be funded by a \$300-million 21st Century Schools Fund, which would be created by the sale of bonds, paid off with the \$32 million a year now used for a special education settlement with local districts.
- Another call to raise the compulsory school attendance age from 16 to 18. The governor has sought this change for several years, but legislation has never been passed. She also called for mandatory kindergarten and asked school districts to offer it as a full day of classes.
- A plan to set up an \$18.7-million pool for low-interest loans of up to \$4 million to attract new businesses to the state.
- In an effort to boost college enrollment, she would allow communities to take some of the revenue generated through property taxes to match private donations for a free college tuition plan, similar to the one available to students in Kalamazoo.
- In a move to lure a bigger slice of the nation's \$65-billion film industry, the governor wants a 40 percent tax rebate for film production in the state.
- Granholt would hire a consumer advocate for auto and homeowner insurance.

"Funding an additional position at taxpayer expense may not be the best use of the state's limited resources," said Pete Kuhnmuensch, executive director of the Insurance Institute of Michigan. "This proposal seems more like election posturing than a real attempt to bring down rates for Michigan policyholders."

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