



Talent trumps low taxes

By JOHN EBY / Dowagiac Daily News
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CASSOPOLIS - Talent - not low taxes - drives prosperity in the new global economy, Michigan Municipal League Executive Director Dan Gilmartin said Thursday night to the 16th annual Cass County Intergovernmental Forum at the Edward Lowe Center for the Council on Aging.

Michigan "misses the boat" in growth factors apart from tax structure, such as per-capita income, educational attainment and 1,600 fewer police officers on the street than on 9/11, 2001.

The bottom 10 states in pay are Mississippi (\$24,000), Arkansas, West Virginia, New Mexico, Utah, Montana, Idaho, South Carolina, Louisiana and Kentucky (\$27,700). Michigan ranks 22nd at \$32,954.

Michigan's per-person tax bite, \$3,363, ranks 24th.

States with the lowest per-capita incomes also tend to be the lowest tax states, "so if all it was is, 'Let's lower taxes and business will come here in droves,' if that's all it took, these states would have higher per-capita income. It's not the only answer," Gilmartin asserted.

States boasting the most affluent incomes are Virginia (\$35,000), Delaware, Minnesota, Colorado, New Hampshire, New York, Maryland, New Jersey, Massachusetts and No. 1, Connecticut at \$45,398 and per-capita taxes of \$4,921.

"The five states in the country in terms of their per-capita income are 1, 6, 3, 5 and 2 as far as having the highest taxes in the country," Gilmartin said, adding that Colorado's stature reflects its "hyper growth," while New Hampshire is influenced by the southern urbanized part that essentially is a Boston suburb.

"I'm not saying we should raise taxes and everything will be better," he said. "That's not the message at all. The point is that tax policy alone isn't going to turn Michigan's economy around. Talent is the most important thing in a new economy with global competition. Read Thomas Friedman's 'The World is Flat.' It really doesn't matter where you live anymore, it matters what you know and what you do. In Detroit, 11 percent of those 25 and older have a bachelor's degree or more. In Seattle, that number's 52 percent. Where are you going? It's a stark issue when you look at some of these things."

Michigan's 24.7 percent with bachelor's degrees trails the U.S. average of 27 percent.

"The highest educational states - Minnesota, 30 percent, up to Massachusetts, with 37 percent - look at their per-capita income. Through the roof. They're high-tech states, investing in their people and in their future. There's a message there. In a rural area, agricultural production has changed in the last 20 or 30 years. It's a different game, much more technical with offshoot industries and bio fields with real growth and good jobs that require a different type of employee.

"Michigan used to be a state with an auto industry where you could go knock on Ford's door and say, 'I'm here to work,' and they'd put you to work, give you good wages, health insurance, retirement and you'd have a job for life. It's not that way anymore. It's all about what you know.

"Supply lines don't matter as much. Infrastructure matters tremendously, but in a different way, because people are highly mobile. Talent is the most important thing, and when you look at these numbers, Michigan just isn't keeping up. We were above the national average 10 years ago, but we're below it now and we continue to drop."

The National Conference of State Legislators last year heard from Bill Gates, the "quintessential businessman for the 21st century." The Microsoft chairman "cares more about talent than tax policy."

A telling statistic from a CEOs for Cities survey is that two-thirds of college-educated young people ages 25 to 34 decide where they want to live, then they look for work.

"It's completely reversed from a generation ago," Gilmartin said. "If someone said they were moving you to Albuquerque, you went home, put up a for sale sign and you went, no questions asked. Now, these highly-educated people businesses are actually after decide where they want to live. That's a problem and that's our challenge" that by a show of hands local government officials knew of many more leaving the area than coming.

"It's certainly more pronounced in urban areas, but it rolls through rural areas like this one as well. We cannot afford to have a brain drain again moving forward, but those people want vibrant cities, good infrastructure, technology-based knowledge jobs where you think. When companies themselves look where to locate - because it's not supply chain; you don't have to be next to a steel mill anymore to build cars or on the waterfront to move product - these are high-paying jobs over and above tourism, agriculture and manufacturing that bring that per-capita income up."

And with mobile jobs that "can go anywhere," he said, "we need to have the tax structure to retain these jobs and state policies that allow entrepreneurs to move forward."

Yet Michigan continues to "disinvest," Gilmartin argued.

"Last week a bridge collapsed on I-696 and hit a car. That's one of the most traveled interstates in Michigan. A report from House Republicans last year said 40 percent of urbanized roads are in poor condition. Higher education is extraordinarily important. Much of what happens with knowledge-based economies happens in and around universities, even community colleges. Health care is a huge issue and if we don't figure out soon how to fund that as our population ages, we're going to be in a real problem."

Gilmartin said, "When I tell people that there are 1,600 fewer police officers on the street than on 9/11, they think I'm lying. It goes against everything we think. You can't turn on TV without seeing a story on homeland security and it takes you two hours to get through the airport. Since 9/11, Homeland Security is the third-largest department in the federal government. But local governments in Michigan are being strangled and they're going broke. Cultural amenities are also important to attracting knowledge-based jobs. People come to communities to live and they can go anywhere. Why would we expect people to stay here if we're not going to fund those things? Michigan lacks a long-term agenda to deal with these funding issues."

Gilmartin, of Ann Arbor, served as deputy director of the Michigan Municipal League in 2000 and seventh executive director in March 2005.

He was MML's lead lobbyist in Lansing and Washington for four years on such issues as transportation, land use and urban redevelopment.

"Enormous financial constraints placed on all of you as local government leaders" led him to address regional cooperation.

Revenue sharing has been reduced dramatically by more than \$2 billion, plus the Single Business Tax ending this year lops off another \$1.9 billion from a more than \$9 billion general fund.

Personal property tax, which brings in some \$700 million, is under fire by new House Speaker Andy Dillon, D-Redford Township.

Gas tax revenues are declining to the detriment of roads, bridges and public transportation, such as Dial-A-Ride.

"We have a tax structure suited for the mid-20th century," he said, "when we were dominant in manufacturing, instead of in global competition. Those are the large issues we're up against. Until recently, the entire focus in Lansing when we talk about improving Michigan has been on the tax structure. Since 1990 we've cut taxes more than 50 times, trying to lower Michigan from a high tax state a few decades ago to something else. That's been our economic development strategy, but is it working? One could argue that we've cut taxes 50 times and are in a worse economic position than we've ever been in the last century."

Michigan's 1963 constitution permits regional cooperation, which Gilmartin touts as "part of the solution. You can cooperate with anybody you want. Anything you can do as a unit of government, you can do in conjunction with another unit of government. Schools aren't here, but they're part of this, too. The business community, too."

Holland's mayor listed 43 instances of cooperation in his community. Cooperation already going on encompasses parks, libraries, joint water-sewer authorities. "There's a heck of a lot going on now," as evidenced by seven-county SEMCOG's joint database.

"Local government's really changed in terms of what it does compared to 50 years ago," he said. "Fifty years ago it was cradle to grave in providing services. In this new economy we have to make sure we have the infrastructure in place to attract these types of jobs, housing opportunities, access to education.

"Louisville recently went all the way, merging into a regional government that went on the ballot and had to be approved by citizens. They pitched it as, 'We've got to change, or your sons and daughters aren't going to live here when they grow up.' That was the sole focus of their public campaign - and it won. They're moving forward.

"I applaud this type of meeting. I'm not aware of other counties having them. The state has to become a better partner and we've got to reinvest in our communities and our universities and make this a destination state in the next 10 years."

"We've got to have strong communities," he told state Rep. Neal Nitz, R-Baroda, "large and small, to draw people to Michigan. Invest in infrastructure. Downtown areas are important. Public safety's important - laying off 1,600 cops in the last five years doesn't make any sense. We've got to provide enough funding (at the local level) that we can build the kinds of communities that can sustain this new economy. We've cut taxes 50 times in 17 years, so that's not the total answer. People will support it if they know it's going toward creating a new economy. We shouldn't be in a race to the bottom to have the lowest taxes because we know that doesn't work. We should be in a race to have the highest prosperity state."

Dowagiac Clerk Jim Snow introduced new City Manager Dale Martin at the gathering of township, city, village, county and state officials.

"Dale is new to everyone but me," Gilmartin offered. "I've had the privilege and honor of working with Dale for a number of years now when he was city manager of Linden, and I can tell you he's one of the real fine public servants in Michigan. Whoever in Dowagiac's in charge of getting Dale to come did a great job because he's going to be fantastic for you. He's very well respected by his colleagues around the state."



Dan Gilmartin, executive director of the Michigan Municipal League, visited Cassopolis March 29 to address the 16th annual Intergovernmental Forum sponsored by the Board of Commissioners