

JULY 29, 2009 No. S2009-05 • ISBN: 1-890624-86-1

MEGA, the MEDC and the Loss of Sunshine

By Michael D. LaFaive

The Trend Toward — and Away From — Transparency

The need for greater transparency in government programs has been widely recognized. President Barack Obama as a U.S. senator co-authored a law to place more federal spending data online. The Michigan Education Association, the state's largest school employee union, has called for better reports on the results of Michigan's economic development programs.* The Mackinac Center for Public Policy, a nonpartisan research and educational institute (and publisher of this Policy Brief), has initiated a "Show Michigan the Money" project that has encouraged scores of the state's municipalities, elected officials and local school districts to place their check registers online. The result of this consensus has been a general increase in the publication of detailed reports on governmental operations.

The trend toward transparent government appears to have been reversed, however, in the case of the Michigan Economic Growth Authority. MEGA is an "economic development" program in which the governor and the Legislature have empowered a board of political

* In a May 28, 2009, Detroit Free Press Op-Ed co-authored by economist Patrick Anderson and MEA Executive Director Lu Battaglieri, the authors write of state incentive programs, "[T]axpayers deserve transparency to know that their money is being spent wisely — and right now, no one has the data to say whether or not our tax incentive programs are a smart investment for Michigan's future." (Patrick Anderson and Lu Battaglieri, "Why Are Michigan's Tax Incentives Leaving State So Poor," Detroit Free Press, May 28, 2009, http://www.andersoneconomicgroup.com/Portals/0/upload/Freep_EditorialMEA052809.pdf.)

ABOUT THE AUTHOR

Michael D. LaFaive is director of the Morey Fiscal Policy Initiative at the Mackinac Center for Public Policy. He would like to thank several individuals for their help in organizing the data and preparing this Policy Brief: Mackinac Center Senior Legislative Analyst Jack McHugh, Fiscal Policy Analyst James Hohman and Research Intern Kahryn Rombach.

An executive summary of this Policy Brief appears on the back cover.

appointees to select businesses to receive tax credits against the Michigan business tax in exchange for creating or retaining jobs in their workplace that allegedly would not exist otherwise.† MEGA was established in 1995, and in its early years, the program produced reasonably detailed data on the businesses it selected, the jobs created, the incentives provided and so on. In the past few years, this data has become increasingly vague and difficult to obtain.‡

A similar loss of transparency appears to be occurring with the organization that oversees MEGA: the Michigan Economic Development Corp., a state-chartered entity charged with creating and retaining jobs in the state. Despite its quasi-private status, the MEDC is subject to government reporting requirements and the Freedom of Information Act. Still, it has become less forthcoming with information about the agency itself and about the high-profile Michigan Film Incentive subsidy, another economic development program under its supervision.

Measuring MEGA's Efficacy

Although MEGA provides Michigan business-tax credits, the MEDC also arranges for companies receiving MEGA credits to benefit from other government incentives, such as job-training subsidies, infrastructure grants and local property tax abatements. Indeed, under its original authorizing statute, MEGA could provide Michigan business-tax credits only if the local government of the business's municipality provided a business incentive of its own.§ This local government incentive is frequently the "plant

† Prior to 2007, MEGA tax credits were granted against the state's single business tax, the forerunner to the current Michigan business tax.

‡ The MEGA enabling legislation was amended for the 20th time on Dec. 30, 2008. Another amendment — House Bill 4922 — would raise the cap on MEGA deals allowed per year and lower eligibility requirements for winning certain MEGA credits.

§ This requirement was suspended for certain types of MEGA credits in 2004, and it was eliminated altogether in 2008.

rehabilitation and industrial development” property tax abatement permitted under Public Act 198 of 1974.*

Through 2008, the MEGA program agreed to provide, by its own estimates, \$3.3 billion in state tax credits, all of which come with additional packages of other state and local incentives.† The tax breaks are conditioned on beneficiaries creating or retaining certain numbers of jobs agreed to in advance.

Determining how many of those jobs have actually been created and the size of the credits granted is central to determining the program’s success or failure. Specifically, a number of measures make sense in tracking the program’s efficacy:

- **The number of jobs created or retained for a MEGA project in a particular year and over the life of the agreement.** MEGA enters into contracts with various businesses to provide them with Michigan business-tax credits in return for the creation or retention of jobs over an agreed-upon number of years. To gauge the success of a particular agreement, it is necessary to know just how many jobs a business has in fact created or retained during that period, since some businesses do produce the jobs that were originally projected. It is also helpful to know how many jobs may have been created in a particular year, since this can help ascertain the local effect of the MEGA project on jobs in an area.
- **Total Michigan business-tax credits awarded by MEGA per project.** Since many businesses that receive MEGA agreements do not produce all the jobs originally forecast, the businesses will receive only a portion — or none — of the business-tax credits originally envisioned during the years of the MEGA contract. The dollar value of the tax credits actually awarded to the company represents the amount of revenue forgone by the Michigan Treasury in return for the jobs allegedly created or retained. This, in turn, helps determine just how “costly” the jobs created or

retained proved to the Michigan Treasury. The value of the forgone business-tax revenues is particularly important in instances when a company creates the jobs and collects the credits only to eliminate the jobs later, as happened when Kmart went bankrupt.

Note that it is important to know the total tax credits awarded per project. A particular company, such as General Motors or Kmart, may receive a number of MEGA agreements to create or retain jobs at different facilities. To determine the efficacy of a particular agreement, it is necessary to know the jobs created and tax credits awarded for each project — not just to know the total jobs created and tax credits awarded for a given company.

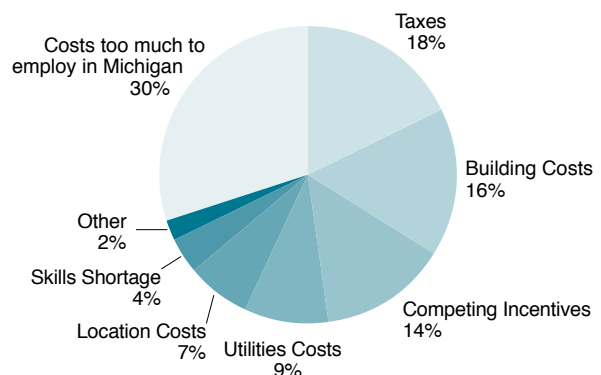
- **MEGA tax credits awarded by year by project.** Knowing the tax credits awarded for each project in each year allows a measurement of not only the total tax credits that MEGA awards in that year, but also how much any given project contributes to that total number of credits. In some years, for example, one project might represent much of the value of the total tax credits awarded, meaning that the efficacy of the other agreements was not as high as the total MEGA credits might otherwise suggest. In any event, these are figures that should be provided if MEGA’s operations are to remain transparent to the public.
- **The value of any local property tax abatement or other incentive provided by local government.** As mentioned above, the state law that created the MEGA program stipulated that MEGA agreements could not be completed unless the business’s local government also provided a business incentive. One common local incentive was a property tax

* MCL § 207.559. In their study “Current Practices and Policy Recommendations concerning Public Act 198 Industrial Facilities Tax Abatements,” Gary Sands of Wayne State University and Laura Reese of Michigan State University show that from 1980 through 2001, the popular local tax abatements so frequently used by local units — and employed for MEGA deals — “fail to show a clear, consistent relationship between abatement activity and change in economic health” [emphasis Sands and Reese]. (Gary Sands and Laura A. Reese, “Current Practices and Policy Recommendations Concerning Public Act 198 Industrial Facilities Tax Abatements,” (Land Policy Institute, 2007), http://www.mml.org/advocacy/resources/lpi_pa198_policybrief.pdf, (accessed July 25, 2009).)

† This tally of MEGA credits may differ from the MEDC’s due to differences in methodology. For instance, if MEGA determined that a company failed to meet the requirements of its MEGA agreement, the MEDC historically zeroed out the dollar figures on its “All MEGA Projects” spreadsheet (this spreadsheet is described on Page 3). In contrast, the \$3.3 billion figure includes the tax credits pledged in these cases.

Graphic 1: Breakdown of MEGA Grant Requests

Top Reasons Why Companies Said They Might Locate or Expand Elsewhere



Source: Mackinac Center calculations based on collected MEGA briefing memoranda, 1995-2004.

abatement; others include the paying of fees, work-training subsidies or road improvements. Knowing the size of any local tax abatement or other subsidy is essential to determining the cost of a MEGA project.

- **The value of any other state incentives provided to the business.** MEGA deals often include other state subsidies and tax abatements for the business that is offered the MEGA business-tax credits. These state incentives may involve job training, state education-tax abatements and community development block grant infrastructure improvements. As with the other local government business incentives discussed above, these incentives add to the cost of the project.
- **The business’s purported cost disadvantage in locating in Michigan rather than a competing location in the absence of MEGA tax credits.** A business may conclude that it faces a higher cost — perhaps because of higher taxes or higher wages, for instance — if it locates in Michigan rather than somewhere else. State law requires that the Michigan Economic Growth Authority consider this potential cost disadvantage before reaching a MEGA agreement with the business. This process serves as a safeguard, however weak, against frivolous MEGA agreements, and the resulting information is valuable in determining what factors are making it unattractive for businesses to locate in Michigan.

For example, a review of statements of cost disadvantages in MEGA “briefing memoranda” (see Graphic 1) permitted a Mackinac Center analyst in 2006 to determine how frequently businesses cited higher taxation, higher labor costs, higher worker compensation costs and so on in claiming the need for offsetting tax credits before locating in Michigan.¹ These are often matter-of-fact statements like, “When comparing the Michigan and Tijuana locations, the company estimates that wage rates in Tijuana are significantly lower.”² Such information can help state lawmakers determine which tax, regulatory and policy reforms might help Michigan’s business climate.

In the past, the data described in the six bullet points above has been available to anyone willing to request and sift through a stack of documents produced by the Michigan Economic Development Corp., the organization that oversees MEGA. Specifically, the documents are:

- **Briefing Memoranda.** Each MEGA deal is summarized by the MEDC in a “briefing memorandum.” These memoranda have typically provided for each MEGA project the purported cost to a business of locating in Michigan rather than elsewhere. The

memoranda have also shown the value of any local property tax abatements, the value of any other local incentives* and the value of other Michigan business incentives apart from the Michigan business-tax credits provided under the MEGA deal. The latter figures are necessary to any calculation of the total value of the state and local business incentives offered in a particular MEGA project.

- **“All MEGA Projects” Spreadsheet.** Since the program’s launch in 1995, the MEDC has tracked MEGA data with two sets of spreadsheets. The first, labeled the “All MEGA Projects” spreadsheet (see Graphic 3), listed each MEGA project recipient and effectively summarized many of the expected benefits of the MEGA deal in direct jobs, indirect jobs and estimated personal income generated by the project. The spreadsheet also provided costs to the state in MEGA business-tax credits.[†] Indeed, before November 2001, the spreadsheet also included the value of other MEGA-related state business incentives, such as state education-tax abatements or job-training subsidies.
- **The “MEGA Credits” Spreadsheet.** MEGA has also issued this spreadsheet since the program’s inception. It details “qualified new jobs” — in other words, the number of jobs that a business creates (or retains) and that fulfill the original MEGA project agreement — and the number of Michigan business-tax credits the firms actually earn as a result of that job creation (or retention). The data on this spreadsheet have typically permitted the calculation of the number of jobs created at a MEGA project, the value of the Michigan business-tax credits awarded by year by project, and the total value of Michigan business-tax credits awarded by project.
- **MEGA Annual Reports to the Legislature.** Part of the law authorizing MEGA³ mandates that MEGA provide an annual report on its activities to the state Legislature. In past years, these annual reports were rich in detail and nuance. They contained a written

* Currently, the value of the local property tax abatement or other local subsidy is provided only in the briefing memorandum and in many cases is absent. Previously, this information was available in the briefing memoranda and the MEGA annual report. Ideally, the data provided would explicitly state that this value is not just the number stated in the original agreement, but the amount that was actually awarded. It would also show the amount provided on an annual basis, not just a total. Nevertheless, the data that MEGA provided in the past was helpful, and it was much better than the patchy and sporadic information provided now. See “The Recent Reduction of Information” below.

† Forgone state taxes are generally considered a “cost” by state officials, and to the extent that they are monies that would have otherwise been collected — i.e., in those cases when the firm would have located in Michigan anyway — there is some basis for this view. That said, we would not concede that allowing people to keep more of their own money is somehow a “cost” to the state.

executive summary, tables summarizing the details of each new MEGA agreement, and a project description for each deal (see Graphic 2 for an example). Also included in the report was a set of very important data about the local incentive contributions associated with each MEGA deal. Together with the briefing memoranda (described on Page 3), this report allowed a tally of the overall state and local contributions to a MEGA deal, not just the value of state-level incentives.

- **MEGA Tax Credit Agreements.** Each MEGA deal involves a binding but amendable agreement between MEGA and a representative of the business receiving the state tax credits. These documents provide important basic information about the mechanics of the agreement, such as the formula for calculating the MEGA credits to be awarded and the minimum number of jobs required to actually receive a MEGA tax credit of any size. The agreements also prove helpful in cross-checking information from other source documents.
- **Economic Effects Report.** This report involves technical economic modeling output and is therefore of less immediate use to the nonprofessional in determining the efficacy of a MEGA agreement. Nevertheless, the document does help provide some sense of the expected economic impact of a particular agreement. The MEDC generates the data in the report either by using REMI economic modeling software — a well-known proprietary program — or by hiring outside economists to use the software to calculate the anticipated economic impact of the jobs that each MEGA deal is expected to create or retain.*

The Recent Reduction of Information on MEGA

Information on MEGA has never been free or easy to obtain. A government agency can take up to 15 business days to respond to a request under Michigan’s Freedom of Information Act and may charge the requester an amount equal to the cost of, in the case of the MEDC, the “lowest-paid MEDC staff capable of performing the tasks to process” the request.⁴ At the MEDC, that amount typically exceeds \$40 an hour.⁵ In the past, however, information was eventually forthcoming.

* It is worth noting that if forecasters’ assumptions about a recipient firm’s performance are off, so too are claims that depend on this, particularly “spin-off” (or “indirect”) jobs. In an earlier Mackinac Center Study, the authors determined that through 2004, MEGA deals should have produced 127 fully employed facilities. The authors found that only 10 deals produced the number of jobs promised; inevitably, claims of associated spin-off jobs were even more wildly overstated. (See Michael D. LaFaive and Michael Hicks, “MEGA: A Retrospective Assessment,” (Mackinac Center for Public Policy, 2005), 22.) In fact, following the compilation of these figures in 2005, several of the 10 “success stories” stumbled badly — Kmart being one of them.

This has changed for the worse. MEGA’s data sources have become much less detailed and helpful in recent years, rendering many measures of MEGA’s efficacy impossible to calculate. These changes and their effects on monitoring MEGA’s progress are described in the sections that follow.

Graphic 2: Sample Project Description From 1998 MEGA Annual Report

Project Description

Kmart Corporation
3100 West Big Beaver Road
Troy, Michigan 48064
Location of Project: City of Troy, Oakland County

HISTORY OF COMPANY:
Kmart is a Michigan-based discount retailer that grew out of the old Kresge chain and has diversified into broader markets than the traditional “five and dime” - including automotive, fashion and other areas. The company went through difficult times in the past and has recently refocused on its core business by selling other portions of its business, such as Borders Group, OfficeMax, the Sports Authority, and Builders Square. The company has repositioned itself in the marketplace and now operates more than 2,100 retail outlets in the United States, Puerto Rico, the U. S. Virgin Islands and Guam. Kmart is once again a strong presence in retail merchandising.

PROJECT DESCRIPTION:
Kmart wanted to relocate and expand its data processing department. The department is currently in the basement of the Kmart headquarters in Troy and cannot expand within that facility. The project will affect 300 existing jobs in Michigan and will expand the workforce by 425. The company also considered a location in Kentucky. Investment for this project will be approximately \$102.4 million. Of this amount, \$13.9 million is for the building, \$86.5 million for equipment and the rest for land and relocation costs. The company expects to reinvest about \$80 million in computer equipment every three years. The 425 jobs created will pay an average weekly wage of \$855 with a benefit package of 29 percent of wages.

CURRENT STATUS:
On May 12, 1998, the Michigan Economic Growth Authority approved a MEGA employment credit of 100 percent for a period of 20 years for up to 425 net new jobs. On June 22, 1998, Kmart signed a MEGA credit agreement.

Total Jobs Created	717
Direct	425
Indirect	292
Average Weekly Wage	\$855
Capital Investment	\$102,410,000
Net Positive State Revenue Impact	\$35,823,000
Revenue Forgone	\$14,366,000
Revenue Gain	\$59,189,000
Personal Income Generated Over Life of MEGA Agreement	\$627,353,000
Local Participation	\$450,000
Type of Assistance	(Improvements to land)

MEGA 1998 Annual Report • Page 9

Source: Michigan Economic Growth Authority, 1998.

MEGA Summary Spreadsheets

The “All MEGA Projects” and “MEGA Credits” spreadsheets have generally been a trove of information on MEGA projects. After 2001, however, the MEDC truncated its “All MEGA Projects” spreadsheet to exclude three useful columns of information.

These columns provided the value (if any) of three additional state financial incentives sometimes offered as part of a MEGA deal (excluding the actual MEGA business-tax credits): the state’s “job training commitment”; the state’s “Community Development Block Grant” commitment; and the “State Ed Tax

Graphic 3: 2001 "All MEGA Projects" Spreadsheet (Page One)

Company Name	Date of MEGA Approval		Project Location		Total Jobs Created	Direct Jobs Created	Indirect Jobs Created	Capital Investment	Personal Income Generated	MEGA Credit Years	Estimated Credit Amount	Net Positive State Impact	Job Training Commitment	CDR/GRR Commitment	State Ed Tax Mfg. 03/06	State Ed Tax Amount
	City	County	City	County												
Solvay	04/20/95	Adrian	Lenawee	254	280	504	\$62,496,000	\$250,250,000	12	\$4,695,400	\$14,415,000	\$972,000	\$1,000,000	6	\$660,114	
Haworth Inc.	04/20/95	Big Rapids	Mecosta	759	342	1,101	\$43,332,000	\$603,996,000	20	\$6,387,400	\$55,771,000	\$1,280,000	\$1,000,000	6	\$666,640	
Walden Books	04/20/95	Ann Arbor	Washtenaw	425	550	975	\$16,832,000	\$654,122,000	15	\$7,723,000	\$42,311,000	\$1,700,000	\$0	0	\$0	
A. O. Smith	07/26/95	Plymouth Twp	Wayne	623	247	870	\$65,355,000	\$370,667,000	10	\$3,974,000	\$25,678,000	\$494,000	\$0	6	\$1,635,763	
Gelman Science*	08/17/95	Solo Township	Washtenaw	0	0	0	\$0	\$0	0	\$0	\$0	\$0	\$0	0	\$0	
Cardell Corp	10/02/95	Auburn Hills	Oakland	564	505	1,069	\$46,669,000	\$630,567,000	15	\$9,970,000	\$40,475,000	\$0	\$0	0	\$0	
Shioh of Mich	10/02/95	Romulus	Wayne	224	153	377	\$30,016,400	\$384,531,000	20	\$5,641,000	\$25,121,000	\$392,500	\$0	6	\$439,929	
Mendian, Inc.	10/02/95	Spring Lake	Ottawa	971	500	1,471	\$24,006,000	\$1,046,343,000	20	\$15,073,000	\$68,834,000	\$950,000	\$398,530	6	\$688,493	
Aspen Bay*	10/24/95	Menominee	Menominee	0	0	0	\$0	\$0	0	\$0	\$0	\$0	\$0	0	\$0	
Standard Automotive	11/14/95	Muskegon	Muskegon	88	25	113	\$5,145,000	\$67,397,000	20	\$599,000	\$4,793,000	\$40,000	\$0	6	\$143,008	
Hess Industries*	12/12/95	Niles	Berrien	0	0	0	\$0	\$0	0	\$0	\$0	\$0	\$0	0	\$0	
Pilot Industries	12/12/95	Clare	Clare	481	418	899	\$14,622,300	\$540,542,000	20	\$8,446,000	\$33,797,000	\$636,000	\$750,000	6	\$172,662	
Asama Giken	02/20/96	Coldwater	Branch	295	300	595	\$29,000,000	\$231,417,000	10	\$1,663,000	\$16,860,000	\$750,000	\$750,000	6	\$925,200	
IMCO Recycling	03/01/96	Coldwater	Branch	111	110	221	\$11,200,000	\$121,692,000	12	\$2,952,000	\$6,783,000	\$330,000	\$750,000	6	\$237,911	
Case Systems	03/12/96	Midland	Midland	158	110	268	\$2,100,000	\$145,498,000	13	\$769,000	\$10,871,000	\$0	\$0	0	\$0	
Shape Corp	03/12/96	Grand Haven	Ottawa	1,338	400	1,738	\$21,000,000	\$1,201,406,000	20	\$11,442,000	\$64,671,000	\$1,383,000	\$0	6	\$517,545	
National Tech Team	03/12/96	Southfield	Oakland	234	650	884	\$6,510,000	\$291,096,000	9	\$3,371,000	\$19,917,000	\$0	\$0	0	\$0	
HI - Lex Controls	06/11/96	Litchfield	Hillsdale	364	197	561	\$9,600,000	\$193,970,000	10	\$1,186,000	\$14,332,000	\$247,500	\$300,000	6	\$216,000	
Dow Chemical	06/11/96	Midland	Midland	151	110	261	\$12,000,000	\$302,149,000	20	\$9,561,000	\$14,611,000	\$232,000	\$750,000	6	\$551,511	
Petri Inc.	06/11/96	Port Huron	St. Clair	866	396	1,262	\$10,700,000	\$397,166,000	10	\$6,394,000	\$25,439,000	\$792,000	\$0	6	\$229,224	
Lacks Industries	06/11/96	Kentwood	Kent	345	200	545	\$37,800,000	\$377,326,000	20	\$5,533,000	\$24,663,000	\$340,000	\$0	6	\$752,000	
Worthington Industries	08/13/96	Frenchtown Twp	Monroe	223	110	333	\$85,000,000	\$227,561,000	12	\$8,525,000	\$9,680,000	\$0	\$2,300,000	3	\$874,000	
Compware	09/24/96	Farmington Hills	Oakland	349	331	680	\$6,600,000	\$429,509,000	15	\$5,978,000	\$26,393,000	\$450,000	\$0	0	\$0	
Walbro Automotive	09/24/96	Detroit	Wayne	389	353	742	\$50,000,000	\$672,486,000	20	\$13,636,000	\$32,183,000	\$353,000	\$0	6	\$1,285,140	
CMI	10/06/96	Summerfield Twp	Monroe	339	205	544	\$50,400,000	\$301,379,000	15	\$7,782,000	\$16,328,000	\$205,000	\$0	6	\$685,732	
Planija Hand Tech	11/12/96	Mason	Ingham	589	225	814	\$54,000,000	\$589,236,000	20	\$6,768,000	\$40,371,000	\$562,500	\$1,000,000	6	\$1,346,741	

Source: Michigan Economic Development Corp., 2001.

Graphic 4: 2009 "All MEGA Projects" Spreadsheet (Page One)

All MEGA Projects											
Company Name	Date of MEGA Approval	Project Location		Total Jobs	Direct Jobs Created	Indirect Jobs	Private Investment	Personal Income Generated	MEGA Credit Years	Estimated Credit Amount	Net Positive State Impact
		City	County								
Haworth Inc.	20-Apr-95	Big Rapids	Mecosta	1,101	342	759	\$43,332,000	\$803,996,000	20	\$6,387,000	\$55,771,000
Solvay	20-Apr-95	Adrian	Lenawee	504	250	254	\$62,496,000	\$250,250,000	12	\$4,665,000	\$14,415,000
Walden Books	20-Apr-95	Ann Arbor	Washtenaw	975	550	425	\$16,832,000	\$654,122,000	15	\$7,723,000	\$42,311,000
A. O. Smith	26-Jul-95	Plymouth Twp	Wayne	870	247	623	\$65,355,000	\$370,657,000	10	\$3,974,000	\$25,678,000
Gelman Science*	17-Aug-95	Scio Township	Washtenaw	0	0	0	\$0	\$0	0	\$0	\$0
Cardell Corp	2-Oct-95	Auburn Hills	Oakland	1,069	505	564	\$46,669,000	\$630,557,000	15	\$9,970,000	\$40,475,000
Meridian, Inc.	2-Oct-95	Spring Lake	Ottawa	1,471	500	971	\$24,006,000	\$1,046,343,000	20	\$15,073,000	\$68,634,000
Shiloh of Mich	2-Oct-95	Romulus	Wayne	377	153	224	\$30,016,400	\$384,531,000	20	\$5,641,000	\$25,121,000
Aspen Bay*	24-Oct-95	Menominee	Menominee	0	0	0	\$0	\$0	0	\$0	\$0
Standard Automotive	14-Nov-95	Muskegon	Muskegon	88	25	63	\$5,145,000	\$67,397,000	20	\$599,000	\$4,793,000
Hess Industries*	12-Dec-95	Niles	Berrien	0	0	0	\$0	\$0	0	\$0	\$0
Pilot Industries	12-Dec-95	Clare	Clare	899	418	481	\$14,622,300	\$540,542,000	20	\$9,446,000	\$33,797,000
Asama Giken	20-Feb-96	Coldwater	Branch	595	300	295	\$29,000,000	\$231,417,000	10	\$1,653,000	\$16,860,000
IMCO Recycling	1-Mar-96	Coldwater	Branch	221	110	111	\$11,200,000	\$121,692,000	12	\$2,952,000	\$6,783,000
Case Systems	12-Mar-96	Midland	Midland	268	110	158	\$2,100,000	\$145,498,000	13	\$769,000	\$10,871,000
National TechTeam	12-Mar-96	Southfield	Oakland	884	650	234	\$6,510,000	\$291,096,000	9	\$3,371,000	\$19,917,000
Shape Corp	12-Mar-96	Grand Haven	Ottawa	1,738	400	1,338	\$21,000,000	\$1,201,406,000	20	\$11,442,000	\$84,671,000
Dow Chemical	11-Jun-96	Midland	Midland	261	110	151	\$12,000,000	\$302,149,000	20	\$9,561,000	\$14,611,000
Hi - Lex Controls	11-Jun-96	Litchfield	Hillsdale	561	197	364	\$9,600,000	\$193,970,000	10	\$1,186,000	\$14,332,000
Lacks Industries	11-Jun-96	Kentwood	Kent	545	200	345	\$37,800,000	\$377,326,000	20	\$5,533,000	\$24,653,000
Petri Inc.	11-Jun-96	Port Huron	St. Clair	1,252	396	856	\$10,700,000	\$397,158,000	10	\$6,334,000	\$25,439,000
Worthington Industries/Spartan Steel	13-Aug-96	Frenchtown Twp	Monroe	333	110	223	\$85,000,000	\$227,561,000	12	\$8,525,000	\$9,680,000
Compware	24-Sep-96	Farmington Hills	Oakland	680	331	349	\$6,600,000	\$429,509,000	15	\$5,978,000	\$28,383,000
Walbro Automotive/ Vitec	24-Sep-96	Detroit	Wayne	742	353	389	\$50,000,000	\$572,486,000	20	\$13,636,000	\$32,163,000
CMI*	8-Oct-96	Summerfield Twp	Monroe	0	0	0	\$0	\$0	0	\$0	\$0
Plannja Hard Tech	12-Nov-96	Mason	Ingham	814	225	589	\$54,000,000	\$589,236,000	20	\$6,768,000	\$40,371,000
Kwang Jin Sang Gong*	17-Dec-96	Battle Creek	Calhoun	0	0	0	\$0	\$0	0	\$0	\$0
N-K Manufacturing	14-Feb-97	Allendale Towns	Ottawa	1,047	540	507	\$10,500,000	\$564,468,000	20	\$6,626,000	\$38,532,000
Weyburn Aquisition Company	14-Feb-97	Grand Haven Twp	Ottawa	382	163	219	\$21,000,000	\$257,235,000	20	\$5,426,000	\$15,153,000
RSDC of Michigan	19-Mar-97	Delhi Township	Ingham	720	222	498	\$80,000,000	\$394,507,000	15	\$4,809,000	\$46,752,000
Black & Veatch	8-Apr-97	Ann Arbor	Washtenaw	681	218	463	\$11,200,000	\$615,086,000	18	\$3,050,000	\$46,157,000
Howmet*	8-Apr-97	Whitehall	Muskegon	0	0	0	\$0	\$0	0	\$0	\$0
Autocam Corporation	10-Jun-97	Marshall	Calhoun	749	200	549	\$25,000,000	\$481,373,000	20	\$8,787,000	\$29,723,000
Bosal Industries	10-Jun-97	Warren	Macomb	253	110	143	\$6,800,000	\$162,442,000	18	\$1,672,000	\$11,323,000
National TechTeam*	10-Jun-97	Sault Ste. Marie	Chippewa	0	0	0	\$0	\$0	0	\$0	\$0
Gerber Products Co.*	9-Sep-97	Fremont	Newaygo	0	0	0	\$0	\$0	0	\$0	\$0
Neway Anchorlok Int'l	9-Sep-97	Muskegon	Muskegon	547	163	384	\$7,900,000	\$394,899,000	20	\$4,420,000	\$27,172,000
BUDDCO	18-Nov-97	Highland	Wayne	847	563	284	\$19,000,000	\$523,228,000	17	\$9,698,000	\$32,208,000
GE/Bayer	17-Dec-97	Wixom	Oakland	192	83	109	\$25,800,000	\$217,357,000	20	\$5,814,000	\$11,575,000
Alsons Corporation	19-Feb-98	Hillsdale	Hillsdale	184	105	79	\$13,300,000	\$48,889,000	6	\$2,071,000	\$1,840,000
Robert Bosch Corp.	19-Feb-98	Farmington Hills	Oakland	826	475	351	\$37,000,000	\$954,315,000	15	\$20,824,000	\$55,521,000
Smiths Industries	19-Feb-98	Cascade Twp	Kent	233	105	128	\$7,450,000	\$150,510,000	10	\$4,225,000	\$7,816,000
Spicer Heavy Axle/ Dana Corp.	4-Mar-98	Texas Township	Kalamazoo	340	203	137	\$15,000,000	\$441,944,000	20	\$8,970,000	\$26,386,000
Wollin Products, Inc.	4-Mar-98	Charlotte	Eaton	252	150	102	\$13,825,000	\$174,011,000	20	\$2,498,000	\$11,423,000
Kmart Corporation	12-May-98	Troy	Oakland	717	425	292	\$102,410,000	\$627,353,000	20	\$14,366,000	\$35,823,000
Pollard (U.S.) Ltd.*	28-May-98	Ypsilanti Townsh	Washtenaw	0	0	0	\$0	\$0	0	\$0	\$0
AAR Corporation	19-Jun-98	Cadillac	Wexford	447	300	147	\$12,300,000	\$377,480,000	20	\$6,043,000	\$24,156,000
Alliant Foodservice	14-Jul-98	Lyon Township	Oakland	292	149	143	\$26,200,000	\$236,775,000	15	\$4,980,000	\$13,962,000
The Coca-Cola Co.	14-Jul-98	Paw Paw Twp	Van Buren	272	150	122	\$31,468,000	\$209,228,000	20	\$3,601,000	\$13,137,000
P & A Industries, Inc.	11-Aug-98	Monroe Twp	Monroe	186	130	56	\$8,151,000	\$136,615,000	15	\$2,098,000	\$8,831,000
L & W, Inc.	17-Sep-98	Blissfield	Lenawee	662	340	322	\$50,050,000	\$355,620,000	13	\$3,113,000	\$25,337,000
Centaur, Inc*	14-Oct-98	Bedford Twp	Monroe	0	0	0	\$0	\$0	0	\$0	\$0
Engineered Machined Products, Inc.	14-Oct-98	Escanaba	Delta	304	175	129	\$5,250,000	\$204,162,000	17	\$2,053,000	\$14,280,000
Howmet International, Inc	28-Oct-98	Whitehall	Muskegon	1,566	580	986	\$52,820,000	\$1,211,097,000	20	\$18,706,000	\$78,182,000
Trumack Assembly, LLC	28-Oct-98	Detroit	Wayne	477	345	132	\$26,400,000	\$360,856,000	20	\$8,071,000	\$20,797,000
Scott Technologies	17-Nov-98	South Haven	Van Buren	165	92	73	\$1,000,000	\$68,450,000	10	\$391,000	\$5,085,000

Source: Michigan Economic Development Corp., 2009.

Amount,” a state-level property tax abatement. Graphic 3 is the first sheet of a 2001 “All MEGA Projects” spreadsheet used between 1995 and 2001. Graphic 4 is the first sheet of a 2009 “All MEGA Projects” spreadsheet. Note that several columns of data in the first spreadsheet are missing in the second.

At the time, this loss of information was not critical, because other complete sources for the data existed. This is no longer the case now that some briefing memoranda fail to report information consistently and the MEGA annual reports to the Legislature include far less data (see “MEGA’s Annual Reports” below).

Recent changes to the spreadsheets are even more troubling. Current MEGA reports involve older projects in which business-tax credits were granted against Michigan’s previous business tax, the single business tax. Under the SBT, there were two ways businesses could earn business-tax credits in a MEGA deal: through jobs added or retained (an employment credit), or through

new capital investment (a business-activity credit). The “MEGA Credits” spreadsheet formerly detailed the precise value for each year of a company’s employment credit and business-activity credit, but for the past year, this information has been deemed “confidential” by the MEDC, and only a total business-tax credit is provided.*

This, too, occurred without warning after some 13 years of releasing the data to the public on request. This data was always vital to analysis of the MEGA program, because it allows an analyst to determine the precise tax revenue forgone as a result of the MEGA credit on a per-project basis.

For example, when Kmart filed for bankruptcy and ultimately moved its headquarters out of Michigan, it was possible to determine precisely what tax relief the firm enjoyed for creating jobs that were ultimately eliminated. Based on data from the discontinued “MEGA Credits”

* The author last received a report including this information in April 2008.

spreadsheet, it is clear that the company received five sets of MEGA credits worth more than \$6 million in total over three years, and that after 2003, the company was no longer qualified for the credits.⁶ The author has recently been unable to obtain such data from the MEDC, and this informational detail will no longer be available, according to MEDC documents obtained through the Michigan Freedom of Information Act. MEDC employees apparently consider these details confidential because of restrictions in the state Revenue Act.⁷

Moreover, after April 2008, compilation of the “MEGA Credits” sheets was abandoned by the MEDC in favor of a new computer database that omits some previously provided information (such as actual tax relief per company). In addition, the new reports are roughly 400 pages, while the old spreadsheet never exceeded 12 pages and was far more useful.*

It is difficult to see why the data previously provided on these spreadsheets was omitted when a new computer software program was adopted. There seems little justification for installing a new system that provides less data and fewer details.

MEGA’s Annual Reports to the Michigan Legislature

As mentioned earlier, this annual report to the Legislature used to be one of two sources of data concerning local government incentive contributions. This information made it possible to tally the overall government assistance to a MEGA project, not just the value of state-level incentives.

The report no longer provides this information, however, and the briefing memoranda (the other traditional source for such data) have become so much vaguer recently that it is nearly impossible to consistently and confidently measure the total costs of a MEGA deal.

The richly detailed 1998 edition of the annual report can be seen in its entirety at www.mackinac.org/10795. The summary spreadsheet from that 1998 report is reproduced in Graphic 5 to show the detail once provided by the MEDC in its MEGA annual reports. In contrast, the heart of the 2008 annual report is a limited two-page spreadsheet without narrative. Page One of the 2008 report is reproduced in Graphic 6.

The full reports are markedly different. The 1998 edition contains a narrative of the company’s history and the

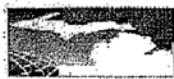
* The last iterations of the earlier spreadsheets, complete with now-unavailable tax relief information per company per year, can be viewed at <http://www.mackinac.org/depts/fpi/mega.aspx>. See “Appendix: A New Mackinac Center Database on MEGA.”

Graphic 5: 1998 MEGA Annual Report Summary Spreadsheet

Michigan Economic Development Authority Project Summary Data																																							
Date of Approval												Scott Technologies 11/17/98																											
Total Jobs Created	7312	233	184	105	79	351	1,283	\$385	\$1,390	\$7,450,000	\$7,818,000	\$4,225,000	\$12,041,000	\$150,510,000	\$49,899,000	\$1,850,000	\$1,536,785	\$1,550,000	\$1,213,468	\$2,034,425	\$451,778	\$136,615,000	\$355,620,000	\$28,450,000	\$3,113,000	\$4,995,000	\$2,053,000	\$8,071,000	\$16,706,000	\$90,888,000	\$1,211,097,000	\$88,450,000	\$94,500						
Direct	3956	105	105	105	79	475	1,283	\$385	\$1,390	\$13,300,000	\$1,840,000	\$2,071,000	\$2,911,000	\$49,899,000	\$1,850,000	\$1,536,785	\$1,550,000	\$1,213,468	\$2,034,425	\$451,778	\$136,615,000	\$355,620,000	\$28,450,000	\$3,113,000	\$4,995,000	\$2,053,000	\$8,071,000	\$16,706,000	\$90,888,000	\$1,211,097,000	\$88,450,000	\$94,500							
Indirect	3346	128	79	79	79	351	1,283	\$385	\$1,390	\$13,300,000	\$1,840,000	\$2,071,000	\$2,911,000	\$49,899,000	\$1,850,000	\$1,536,785	\$1,550,000	\$1,213,468	\$2,034,425	\$451,778	\$136,615,000	\$355,620,000	\$28,450,000	\$3,113,000	\$4,995,000	\$2,053,000	\$8,071,000	\$16,706,000	\$90,888,000	\$1,211,097,000	\$88,450,000	\$94,500							
Average Weekly Wage (Direct Jobs)	6553																																						
Capital Investment	\$413,965,000	\$7,450,000	\$13,300,000	\$13,300,000	\$13,300,000	\$37,000,000	\$37,000,000	\$1,300,000	\$1,390	\$13,300,000	\$1,840,000	\$2,071,000	\$2,911,000	\$49,899,000	\$1,850,000	\$1,536,785	\$1,550,000	\$1,213,468	\$2,034,425	\$451,778	\$136,615,000	\$355,620,000	\$28,450,000	\$3,113,000	\$4,995,000	\$2,053,000	\$8,071,000	\$16,706,000	\$90,888,000	\$1,211,097,000	\$88,450,000	\$94,500							
Net Positive State Revenue Impact	\$351,303,000	\$7,818,000	\$1,840,000	\$2,071,000	\$2,071,000	\$20,824,000	\$20,824,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000		
Revenue Foregone	\$104,777,000	\$4,225,000	\$2,071,000	\$2,071,000	\$2,071,000	\$20,824,000	\$20,824,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	\$55,521,000	
Revenue Gain	\$456,090,000	\$12,041,000	\$2,911,000	\$2,911,000	\$2,911,000	\$76,345,000	\$76,345,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	\$208,224,000	
Personal Income Generated Over Life of MEGA Agreement	\$5,700,981,000	\$160,510,000	\$49,899,000	\$49,899,000	\$49,899,000	\$854,315,000	\$854,315,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000	\$2,414,944,000
Local Participation	\$29,615,340																																						
Type of assistance																																							

Source: Michigan Jobs Commission, 1998.

Graphic 6: Fiscal 2008 MEGA Annual Report (Page One)



Michigan Economic Development Corporation

Company Name	Company Location	Project City	Project County	Company Capital Investment	Total Yrs Approved	Maximum Credit Authorized	Jobs to be Created	Jobs to be Retained
Kolbenschmidt Pierburg AG	Southfield, MI	Auburn Hills	Oakland	\$11,000,000	8	\$3,426,000	153	0
Credit Acceptance Corporation	Southfield, MI	Southfield	Oakland	\$3,800,000	7	\$4,616,000	506	0
Vantage Plastics	Standish, MI	Standish	Arenac	\$2,700,000	7	\$398,000	75	0
NEAPCO LLC	Van Buren Twp, MI	Van Buren Twp.	Wayne	\$29,400,000	7	\$4,505,000	285	0
Accident Fund Insurance Company of America	Lansing, MI	Lansing	Ingham	\$182,000,000	12	\$11,390,000	500	0
SYSCO Food Services of Detroit, L.L.C.	Canton, MI	Canton Twp	Wayne	\$18,000,000	9	\$2,239,000	130	0
Azure Dynamics Corporation of America	Oak Park, MI	Oak Park	Oakland	\$2,300,000	7	\$1,773,000	125	0
Aernova Engineering US, Inc.	Ann Arbor, MI	Pittsfield Twp	Washtenaw	\$10,000,000	15	\$19,627,000	600	0
International Automotive Components (Combo)	Dearborn, MI	Multi Site	St. Claire/Macomb	\$5,900,000	10	\$27,269,000	200	2,409
Inergy Automotive Systems	Adrian, MI	Adrian	Lenawee	\$8,200,000	7	\$1,316,000	189	0
Camshaft Machine Company, LLC	Jackson, MI	Coldwater	Branch	\$1,562,000	7	\$1,462,000	180	0
Chrysler LLC (Combo)	Ann Arbor, MI	Detroit	Wayne	\$8,922,000	7	\$8,037,000	400	2,480
Dearborn Group Technology	Detroit, MI	Farmington Hills	Oakland	\$1,170,000	5	\$494,000	61	0
Accuri Cytometers, Inc.	Farmington Hills, MI	Scio Twp	Washtenaw	\$2,000,000	10	\$1,490,000	88	0
Unified Brands, Inc.	Weidman, MI	Broomfield Twp	Isabella	\$8,750,000	7	\$1,329,000	158	0
M/S Precision Components, LLC	Fowlerville, MI	Fowlerville	Livingston	\$21,800,000	7	\$893,000	106	0
ProQuest, LLC	Ann Arbor, MI	Ann Arbor	Washtenaw	\$21,392,000	10	\$10,132,000	303	0
Paragon Metals, Inc.	Quincy, MI	Quincy	Branch	\$7,000,000	7	\$1,022,000	130	0
NxtGen Emission Controls USA Inc.	Burnaby, B.C.	Wixom	Oakland	\$800,000	10	\$909,000	47	0
General Dynamics Land Systems	Sterling Heights, MI	Sterling Heights	Macomb	\$10,604,000	12	\$19,781,000	500	0
MyBuys	Redwood City, CA	Ann Arbor	Washtenaw	\$5,431,360	10	\$3,928,000	250	0
Boar's Head Provisions Company, Inc.	Holland, MI	Holland Twp	Ottawa	\$24,000,000	7	\$1,886,000	208	0
North American Bancard	Troy, MI	Troy	Oakland	\$25,043,000	12	\$21,673,000	1,500	0
Behr-Hella Thermocontrol, Inc.	Troy, MI	Wixom	Oakland	\$7,900,000	7	\$825,000	70	0
Ricardo, Incorporated	Van Buren Twp, MI	Van Buren Twp.	Wayne	\$2,084,000	10	\$991,000	32	0
Arbor Networks, Incorporated	Ann Arbor, MI	Ann Arbor	Washtenaw	\$14,000,000	10	\$1,539,000	56	0
VonWeise	Eaton Rapids, MI	Eaton Rapids	Eaton	\$7,300,000	7	\$1,145,000	159	0
Sakti3, Inc.	Ann Arbor, MI	Ann Arbor	Washtenaw	\$476,000	10	\$2,900,000	100	0
Kaiser Aluminum Corporation	Foothill Ranch, CA	Comstock Twp	Kalamazoo	\$84,983,000	10	\$3,737,000	300	0
Brose North America	Warren, MI	Warren	Macomb	\$23,000,000	7	\$8,626,000	517	0
Azentek	Grand Blanc, MI	Grand Blanc	Genesee	\$3,000,000	10	\$1,841,000	78	0
Venchus Inc.	Adrian, MI	Adrian	Lenawee	\$21,000,000	7	\$1,136,000	106	0
Ray Connect (Combo)	Rochester Hills, MI	Rochester Hills	Oakland	\$2,980,000	7	\$2,536,000	46	148
Production Engineering, Inc. (Combo)	Jackson, MI	Jackson	Jackson	\$4,187,000	10	\$4,187,000	122	112
Marimba Auto LLC	Belleville, MI	Canton Twp	Wayne	\$16,000,000	7	\$851,000	72	0
EcoMotors International	Troy, MI	Troy	Oakland	\$6,253,000	10	\$6,253,000	156	0
Mahle Engine Components	St. Johns, MI	St. Johns	Clinton	\$18,200,000	10	\$2,695,000	150	0
Orchid Unique Orthopedic Solutions	Bridgeport, MI	Bridgeport Twp.	Saginaw	\$5,549,000	7	\$979,703	60	0
priceline.com	Norwalk, CT	Wyoming	Kent	\$4,599,000	7	\$7,881,000	424	0
ArvinMeritor Automotive, Inc.	Warwickshire, U.K.	Detroit	Wayne	\$1,238,000	7	\$1,237,867	119	0

Source: Michigan Economic Development Corp., Oct. 1, 2008.

MEGA deal; an executive summary of the report; the project location, including the city and county; the location of the company's headquarters; the expected total jobs (both direct and indirect) to be created over the life of the deal; the average weekly wage, including the benefit package value as percent of total; the capital investment expected; the estimated net positive state government revenue impact over the life of the MEGA project, showing both the estimated state revenue forgone and the estimated state revenue gained; the projected state personal income generated over the life of each MEGA deal; and the explicit value of the local government's contribution to the MEGA deal through various local government business incentives.

The nine-column 2008 annual report contains only the company name; the company location; the project city; the project county; the company's capital investment; the total years approved (of MEGA credits); the maximum credit authorized; the jobs to be created; and the jobs to be retained.

Note in particular that the "Jobs to be Created" column in the 2008 report does not explain if the figures refer only to workers directly employed by the company, or if the figures also include alleged "spin-off" jobs forecasted by the REMI model and detailed in the MEDC "economic effects" reports. (In contrast, the 2007 report was explicit, labeling the jobs column as "Jobs Impact/Direct Jobs.") I have patiently attempted to clarify the meaning of this

“Jobs to be Created” column and acquire an explanation for missing data. Unfortunately, there has been no constructive response to this simple query.*

Making matters worse, the columns “of the annual report of the activities of the Michigan Economic Growth Authority to the Michigan Legislature” required by law have actually changed from fiscal 2007 to fiscal 2008, although they were published only six months apart.† For instance, the fiscal 2007 report provides the column “Revenue Forgone: (MEGA Costs),” while the fiscal 2008 edition does not have that column. Conversely, the fiscal 2008 report contains several columns that are not found in the 2007 report. For example, the 2008 report contains a column for “Maximum Credit Authorized,” a term whose meaning is unclear. The 2008 report also includes a column for “Jobs to be Retained,” a term whose meaning seems reasonably clear, but whose purpose is unclear, since this figure did not appear in the 2007 report.

Nor was the 2007 report a model of clarity. A reader cannot tell explicitly, for instance, whether the “Revenue Forgone” column in that report is referring to the amount of tax revenue forgone in fiscal 2007 alone, or to a total amount of tax revenue forgone over the life of the MEGA credits, which could be many years into

* For example, I telephoned an MEDC spokesperson on June 1, 2009, and asked if it would be acceptable to submit questions directly to her. I expressed my concern that some of my questions simply could not be answered using the Freedom of Information Act, but could be answered directly and quickly by a spokesperson. (Admittedly, I also harbored concerns that the MEDC might claim the 10 business-day extension allowed under FOIA law and then either send documents too vague to assist me or respond — as frequently occurs — that “no such documents exist.” The spokesperson encouraged me to submit my questions in writing, and I did.

By June 12, I had not received a response from the MEDC. I followed up on my request with a voicemail and e-mail to the spokesperson, hoping for answers to my questions. I received a response by e-mail later the same day, after normal business hours. The e-mail read:

“We’ve had several similarly worded questions and requests come in multiple ports of entry recently from you/your staff and it’s caused some confusion as to who’s responding, whether they’re currently in the FOIA queue or if they’ve already been handled. We don’t [sic] want to waste your time nor duplicate efforts on our end, so we’ll be sorting through these early next week, cross checking for duplicate inquiries, reconciling with pending FOIA requests, etc. and then will get back to you.”

I responded the following Tuesday: “I received your Friday e-mail. Naturally, I am a bit disappointed, since my questions were submitted to you on June 1. When might I expect a response this week based on your meeting? Today? Tomorrow?” As of July 28, six weeks later, the spokesperson had not responded.

A larger sample of the correspondence described above appears in “Appendix B: A Sample of Correspondence With the MEDC.”

† There is nothing to indicate in the MEGA annual reports for fiscal 2007 and fiscal 2008 why the 2007 report was issued in April 2008, more than six months after the close of fiscal 2007, while the report for fiscal 2008 was published just one day after the close of fiscal 2008. This disparity meant that the two reports were issued just six months apart.

the future. A close inspection suggests it is probably the latter, but if so, legislators should realize that MEGA is providing the same piece of information as “Estimated Credit Amount” in the “All MEGA Projects” spreadsheet, as “Revenue Forgone/(MEGA Cost)” in the fiscal 2007 annual report, and as “Maximum Credit Authorized” in the fiscal 2008 annual report. In other words, like other elements of the report, this column is inconsistent, unclear and unaccompanied by any explanation. In short, the key component of the annual report to the Michigan Legislature raises more questions than it answers.

The remainder of the annual report lists little more than the company name and top officers at the firms in question, something that wasn’t included in the older reports. This new information is trivial in comparison to the information that has been lost.

A Summary of the Loss of Available MEGA Data

As noted in the preceding sections, nearly every major document furnishing important information about

Graphic 7: Sources of MEGA Data, Past and Present

Information	Previous source document	Current source document
Total MEGA tax credits awarded by year by project	“MEGA Credits” spreadsheet	Unavailable
Total MEGA Michigan business-tax credits awarded per project	“MEGA Credits” spreadsheet	Supporting tables for “MEGA Credits vs. Conversions – All Companies for all Years” (However, there is no way to tie projects to credits accurately without additional guidance.)
Number of jobs created at MEGA project in particular year and over life of agreement	“MEGA Credits” spreadsheet	“Eligibility Determination — Jobs Created” PDF spreadsheet, although the meaning of the terms in the spreadsheet is obscure
Value of local property tax abatement	MEGA annual report, briefing memorandum for each credit	Briefing memorandum for each credit, but recent information available in just 8 percent of the memoranda
Value of other local government business incentives	MEGA annual report, briefing memorandum for each credit	Briefing memorandum for each credit, but recent information available in just 47 percent of the memoranda
Value of other state incentives (excluding the MEGA Michigan business-tax credits)	“All MEGA Projects” spreadsheet, MEGA annual report, briefing memorandum for each credit	Briefing memorandum for each credit, but recent information available in just 73 percent of the memoranda
Total cost difference between locating in Michigan and competing location	Range available in briefing memorandum for each credit	Briefing memorandum for each credit, but recent information available in just 11 percent of the memoranda

the MEGA program has become less detailed and less useful. Graphic 7 helps indicate what information is no longer available.

The first column of the graphic lists the information in essentially the same categories that appear in “Measuring MEGA’s Efficacy” above. In Graphic 7, the columns “Previous source document” and “Current source document” refer, respectively, to where the information was originally located and to where the information is now located — if it is available at all.

Note that in several instances, the “current source” column indicates a particular piece of information is available only a certain percentage of the time (the percentage is calculated for MEGA briefing memoranda produced from July 2008 to December 2008). The percentages range from 8 percent, for local property tax abatements, to 73 percent, for other state business incentives other than MEGA’s Michigan business-tax credits. All of these figures used to be 100 percent.

As the graphic makes readily apparent, much of the basic, necessary information about MEGA is now unavailable or no longer readily accessible.

A History of Murkiness at the MEDC

Concerns over the omissions and reductions of information at MEGA are heightened by the MEDC’s past track record in providing accurate and timely information.

Bipartisan and Nonpartisan Concerns

Criticism of the MEDC itself has been bipartisan. During the administration of Gov. John Engler, Democratic Party members expressed pointed concerns about the inability of the Legislature to provide proper oversight of the MEDC.

According to a February 1999 Gongwer News Service article concerning the Michigan Jobs Commission, the predecessor to the MEDC, then-state Sen. Alma Smith, D-Salem Township, complained about the transparency problem, saying, “I don’t think the Legislature should have to FOIA a department or agency to find out how money is spent.”⁸ Smith — now a state representative — has remained a consistent critic of the MEDC. In 2009, when asked by the Michigan Information & Research Service what she would do if she were elected governor, she replied: “One of the early things I would do is reorganize the MEDC (Michigan Economic Development Corporation). I have a problem with the unlevel playing field we create from business to

business in Michigan, where we create some winners and some losers.”⁹

There have been other Democratic critics as well. In 2000, state Rep. Joseph Rivet, D-Bay City, echoed Rep. Smith’s sentiments and argued that the MEDC should lose its state funding, telling the Lansing State Journal, “Every time we try to hold these guys at MEDC accountable to the taxpayers, they claim to be a private agency outside the realm of public scrutiny.”¹⁰ Rivet was particularly angered by a Lansing State Journal report that the MEDC had bought each of its employees three monogrammed shirts from an out-of-state vendor. The purchase was apparently made to “boost morale”¹¹ and market the MEDC.

After Gov. Jennifer Granholm was sworn into office, members of the GOP sought greater transparency from the MEDC, most notably state Rep. Jack Brandenburg of Harrison Township. A frequent critic of the MEDC, Rep. Brandenburg called for its outright elimination in 2007. He argued that the MEDC was ineffective, contrasting the state’s poor economic performance with the corporation’s supposed success. He also complained that the MEDC was top-heavy with management, calculating that it had one vice president for every 10 employees at the time.¹²

To make the MEDC more transparent, Brandenburg successfully inserted two mandates into state law in 2006: a requirement that the MEDC cooperate with the Michigan Office of the Auditor General on audits of jobs the corporation had claimed to have created or influenced, and a requirement that the MEDC report annually to the Legislature how many of its staff made more than \$80,000 per year.*

Republican state Sen. Nancy Cassis of Novi has likewise sponsored several pieces of legislation that would require additional information from MEGA. Senate Bill 71 would make MEGA more transparent and appears to address some of the concerns expressed earlier. For example, a summary of the legislation outlined by the nonpartisan Senate Fiscal Agency indicates that Senate Bill 71 would:

- “Require MEGA to include additional information in its annual report to the Legislature.
- “Beginning October 1, 2009, require MEGA to report to the chairpersons of the Senate Appropriations and

* In a subsequent budget year, Gov. Granholm recommended that both provisions be eliminated. The first provision was later weakened, but ultimately restored, while the second was eventually removed altogether. (Elizabeth Pratt and Maria Tyszkiewicz, “FY 2007-08 Michigan Strategic Fund Budget S.B. 239: Governor’s Recommendation,” (Michigan Senate Fiscal Agency, 2007).)

Finance Committees and the House Appropriations and Tax Policy Committees, and the directors of the Senate and House Fiscal Agencies.

- “Require the [Michigan Office of the] Auditor General to review MEGA’s annual report to the Legislature and include comments with the report before MEGA could submit it.”¹³

According to the SFA, Senate Bill 71 would also require the following in addition to the data that already must be included in the MEGA annual reports:

- “The amount of capital investment required and the number of jobs required to be created or retained for each authorized business to be eligible for the tax credits under the Act.
- “For each written agreement with each authorized business, the actual number of jobs created or retained, the total capital investment at that facility, and the total value of the tax credits received for that year and all previous years under the written agreement.
- “The total capital investment for the credit under new written agreements entered into under Section 8(5).”¹⁴

The legislation passed the state Senate Feb. 12, 2009, and was ultimately referred to the state House New Economy and Quality of Life Committee on Feb. 18.¹⁵

The state Office of the Auditor General, a nonpartisan government agency, has also expressed concerns about the job creation figures reported by the MEDC and its alter ego, the Michigan Strategic Fund. In 1993, the Michigan Strategic Fund was found by the OAG to have “overstated by 39 percent, the number of jobs created by the selected companies that received financial assistance from ... two programs [the MSF administered] in its 1991 annual report to the Legislature.”¹⁶

Then, in August 2003, the OAG examined a job-training program administered by the MEDC. Although the program had been alleged to have created 635 jobs, the OAG found that total employment had actually decreased by 222. The OAG criticized the MEDC for not independently verifying jobs claims submitted to the MEDC by companies that had received job-training subsidies. These errors were discovered after a review of one small MEDC program.¹⁷

Dubious Claims and Reluctant Disclosure

The MEDC has not just filed inaccurate reports; it has also made questionable claims. For instance, in a November 2004 Op-Ed in *Business Direct Weekly*, former MEDC

Chief Executive Officer Donald Jakeway asserted that the MEGA program had created more than 28,800 jobs.

The number was implausible given the MEDC’s other published data, but obtaining an explanation for the discrepancy launched me on a months-long odyssey of requests for information.¹⁸ Ultimately, a legislative subcommittee of the Michigan House felt moved to ask Jakeway to respond.

He eventually complied, and I was able to determine that the MEDC had produced Jakeway’s 28,800 job figure by using an estimated REMI job multiplier out of context. For a detailed explanation of the problems with the jobs figure and my extended endeavors to procure information from the MEDC, see Pages 23-25 and Appendix B of the Mackinac Center Policy Study “MEGA: A Retrospective Assessment.”¹⁹

Concerns and Recommendations

The five months it took to obtain the truth about Jakeway’s claims made it difficult for policymakers and taxpayers to assess MEGA’s real impact. Jakeway’s flawed figures received public attention, while a discussion of the problems with those figures received little or none.

Indeed, this delay raises a key concern. If an agency finds that it can release optimistic but dubious claims that cannot be investigated without weeks of FOIA requests and phone calls, the agency will reap false public relations victories that may never be publicly exposed as hollow. In effect, there would be no penalty — and indeed, there would be an incentive — for the agency to make exaggerated claims and then drag its feet in answering information requests from policymakers, reporters and residents attempting to determine the truth.

As noted earlier, persistent delays have become a problem at MEGA. Some sense of the difficulty can be gleaned from the author’s correspondence with the MEDC concerning the meaning of the phrase “Jobs to be Created” in MEGA’s new spreadsheets. Parts of that correspondence are reproduced in “Appendix B: A Sample of Correspondence With the MEDC.”

Concerns over transparency in the MEGA program involve more than an insistence on accepted norms of good government. Assessing the program’s effectiveness, especially in light of some its less credible claims, has become increasingly important given the state’s recent economic decline.

Graphic 8: Sample “Economic Effects” Report (Visteon Corp.)

**Economic and Fiscal Effects on Michigan of the Visteon Corporation Facility Location
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2002	2003	2004	2005	2006	2007	2008	2010	2015	2016	Total 2002-2016
Total Employment	438	2,991	508	197	379	612	846	823	804	808	—
Manufacturing	12	70	75	175	275	375	475	475	475	475	—
Nonmanufacturing	426	2,921	433	22	104	237	371	348	329	333	—
Retail Trade	47	313	59	22	60	100	141	140	140	141	—
Services	68	455	57	0	44	99	152	139	127	129	—
Other	311	2,153	317	0	0	38	78	69	62	63	—
In current dollars (thousands):											
Personal income	19,000	135,700	46,400	32,400	46,600	65,300	87,100	95,500	114,100	118,600	1,270,400
Gross state revenue	1,520	10,856	3,712	2,592	3,728	5,224	6,968	7,640	9,128	9,488	101,632
MEGA cost	0	0	275	664	1,080	1,525	2,003	2,156	2,601	2,699	24,559
State revenue net of MEGA cost*	1,520	10,856	3,437	1,928	2,648	3,699	4,965	5,484	6,527	6,789	77,073
Adjusted for inflation (thousands of 2001 dollars):											
Personal income	14,704	100,380	26,374	18,137	30,884	45,334	60,486	63,827	69,377	70,773	828,368
Gross state revenue	1,176	8,030	2,110	1,451	2,471	3,627	4,839	5,106	5,550	5,662	66,269
MEGA cost	0	0	156	372	716	1,059	1,391	1,441	1,581	1,610	15,765
State revenue net of MEGA cost*	1,176	8,030	1,954	1,079	1,755	2,568	3,448	3,665	3,969	4,052	50,504

*These estimates do not include any state government revenue losses due to the Investment Tax Credit.

Source: Michigan Economic Development Corp., 2001.

Michigan’s Economic Performance

For much of the new millennium, Michigan has been an economic laggard, while the national economy has expanded. From 2002 to 2007, Michigan’s real state gross domestic product declined by 1.7 percent, while the average U.S. state’s real gross domestic product expanded by 14.4 percent.²⁰

Michigan was ranked 16th among the 50 states in per-capita state GDP in 1999,²¹ the year the MEDC was formed; ironically, it has since tumbled to 41st.²² During that time, the state has lost a staggering 728,100 jobs — though to be fair, many of these were lost in recent months, during the general national economic decline.²³

Against this backdrop, the priorities of the MEDC have sometimes seemed as questionable as its approach. In 2002, the MEDC explicitly stated in a published brochure that its first goal that year was its own survival — specifically, to “Ensure the Continuity of the MEDC.”²⁴ This goal effectively elevated the retention of MEDC jobs above the retention of jobs for state taxpayers.*

* This grim outlook stands in stark contrast to the MEDC’s optimistic beginnings and its mission of keeping “good jobs in Michigan and attracting more of them.” Indeed, on the MEDC’s first day of operations, new Board Vice President Beth Chapelle was quoted in the Michigan Information & Research Service’s MIRS Capitol Capsule as saying, “This new structure will enable us to have an even quicker, more flexible economic development focus.” She added, “Ultimately, that means more jobs.” (“Michigan Economic Development Corp Begins Operations,” Michigan Information & Research Service, April 5, 1999.)

The possibility that the MEDC might pursue political goals, rather than economic gains, is one reason why good public policy requires that the MEDC become more transparent. Another is simply determining whether MEGA and other MEDC programs work.

These concerns lead to a number of policy recommendations.

1. MEGA should be required to do the following:
 - a. Restore to its “All MEGA Projects” spreadsheet (or any equivalent report) the three columns of incentive data that disappeared after 2001 — specifically, state education-tax credits, the value of any state job-training subsidies and community development block grant infrastructure improvements — and add a column for the value of any other state incentives associated with each MEGA deal.

The recent loss of MEGA summary spreadsheet information increases the risk that MEDC and MEGA officials will not exercise care in handing out MEGA tax credits. With the current lack of transparency, MEGA officials face the perverse incentive of being able to publicize their successes and hide their failures. If a company receiving a MEGA credit should become successful, MEGA officials will be able to issue news releases about MEGA’s economic benefits, but if the

- company or the plant should later close down, MEGA officials can make it difficult for anyone to determine what the state's treasury has forgone from tax credits granted to the firms.
- b. Publish the value of local government incentives offered to each MEGA project for each year of its life, distinguishing local property tax abatements from other local government incentives.
 - c. Publish the restored spreadsheet and the local incentives on the MEDC Web site after each month's official MEGA meeting, providing easy access to the public, media and legislators.
 - d. Publish each month the MEGA jobs tally by year by project for companies that have actually provided jobs and earned MEGA tax credits (as opposed to simply promising jobs and signing conditional MEGA tax-credit contracts).
 - e. Publish briefing memoranda with project details that are in a consistent format, and ensure that the memoranda include both the value of all incentives offered by state and local governments and the company's quantified cost differential between Michigan and the best competing state.
 - f. Publish detailed annual reports to the Legislature, similar to those of the late 1990s. Specifically, the reports should include:
 - i. A narrative of the company history and the MEGA deal;
 - ii. An executive summary of the report;
 - iii. The project location (including the city and county);
 - iv. The location of the company's headquarters;
 - v. The expected total jobs — distinguishing both direct and indirect — to be created over the life of the deal;
 - vi. The average weekly wage, including the benefit package value as percent of total;
 - vii. The capital investment expected;
 - viii. The estimated net positive state government revenue impact over the life of the MEGA project, showing both the estimated state revenue forgone and the estimated state revenue gained;
 - ix. The projected state personal income generated over the life of each MEGA deal; and
 - x. The explicit value of the local government's contribution to the MEGA deal through various local government business incentives.

A sample page from a 1998 MEGA annual report that provided such data can be found in Graphic 2.
 - g. Publish in each annual report a list of companies that formally applied for MEGA consideration but either withdrew or were rejected by the MEGA at any point in the application and approval process.

This final point is vital for assessing the program. When signing a MEGA tax-credit agreement, company executives are explicitly stating that the MEGA credits are needed to address the cost disadvantages they face in expanding in, or moving to, Michigan. By surveying the ultimate expansion and location decisions of companies that were rejected by MEGA, it should be easier to determine the degree to which MEGA tax credits truly affect business calculations.
2. The Michigan Office of the Auditor General should provide annual audits of MEDC job claims. The OAG's findings, described above, on a small MEDC job-training program suggest a full-scale audit of MEGA, the state's highest-profile jobs program, is appropriate.
 3. The MEDC should be required to publish its general ledger on the Web each year so that legislators and the public alike can get a more detailed understanding about where state and other MEDC monies flow.

Conclusion

The withheld MEGA information is critical. Without this data, it becomes increasingly difficult to determine whether MEGA actually stimulates economic growth and represents a worthwhile investment of state resources.

Such a lack of transparency cannot benefit the public; it can benefit only those who profit directly from the existence of the program, beginning with MEDC officials themselves. In this sense, MEGA's loss of transparency becomes an inversion of the principle that government exists to serve the people, not the other way around. As James Madison put it:

“A popular Government, without popular information, or the means of acquiring it, is but a Prologue to a Farce or a Tragedy; or, perhaps both. Knowledge will forever govern ignorance: And a people who mean to be their own Governors,

must arm themselves with the power which knowledge gives.”²⁵

State policymakers serious about serving the public will need to address MEGA’s growing lack of transparency — or consider ending the program altogether.

Appendix A: A New Mackinac Center Database on MEGA

In light of the growing secrecy surrounding the Michigan Economic Growth Authority, the Mackinac Center has posted on its Web site a public database on MEGA-related deals. The database, posted at <http://www.mackinac.org/depts/fpi/mega.aspx>, represents a convenient repository of original information on deals made and jobs promised by MEGA and MEGA recipients. Much of the information, secured from dozens of FOIA requests, is not readily available to the public or to state policymakers.

The data go back to April 1995 and it will be updated by Center staff on a regular basis. The database consists of the primary informational paperwork for each MEGA deal, including:

- Briefing memoranda (an MEDC summary of each deal);
- “Economic effects” reports (summaries of economic impact analyses made primarily by University of Michigan economists under contract with the state); and
- MEGA tax-credit agreements (the binding but amendable agreement between MEGA and each corporate or business recipient’s representative).

Visteon as an Example

Here’s an example of one way the database can be useful: Consider the announcements that Lear, Visteon and Metaldyne corporations have filed for bankruptcy. Reporters, legislators, bloggers and taxpayers can learn from the database that all three firms had been declared MEGA “winners” by the Authority’s board and the MEDC. (General Motors itself has probably achieved MEGA’s all-time “winner” status, having been offered a record 10 deals.)

From the database, users could also discover that failure to achieve job goals was not a new thing for these firms, and that MEGA officials erroneously predicted that the 2001 Visteon deal would result in 75 net new jobs by 2005²⁶ and 475 new jobs by 2008.²⁷ University of Michigan economists, under contract with the state to forecast the “spin-off” jobs associated with the deal, predicted that the

economic activity surrounding this deal would result in 808 new jobs through 2016.²⁸

See Graphic 8 for output from MEGA’s “economic effects” report for Visteon. These figures provide a baseline for determining Visteon’s success or failure after it received its MEGA deal.

In particular, look at the predictions of year-by-year job creation. We now know that in reality, each of these lines in the original report should have said “0.” (Arguably, the numbers should even be negative, because the state spent millions for road improvements specifically benefitting the firm — money that could have been spent creating actual jobs elsewhere.)

Under the terms of MEGA agreements with firms, tax credits are delivered as rewards for actually creating promised jobs. Visteon never collected a single one of those tax credit rewards, because it never created any of the promised jobs. As shown in the MEDC summary “MEGA Credits” spreadsheet²⁹ and “MEGA Credits vs. Conversions – All Companies for all Years”³⁰ report, the record is clear, though the former spreadsheet is easier to read. We have posted a copy on the Center Web site as an example.

Despite the fact that Visteon claimed no credits, this MEGA deal wasn’t “free” to taxpayers. As mentioned, part of the agreement included the MEDC using its authority to arrange up to \$5 million in road improvement work at the new Visteon facility.³¹

Moreover, the MEGA statute originally mandated that local units of government make incentive contributions too. As part of the Visteon deal, Van Buren Township offered property tax relief worth up to \$31.1 million over 12 years,³² and Visteon was able to start claiming that relief immediately for a jobs deal that failed to materialize.* To date, Visteon has enjoyed more than \$9.6 million³³ in local abatements resulting from the failed MEGA deal.

Of course, MEGA’s poor performance in these cases has been influenced by the general decline in the automobile industry. Still, the job of MEGA and the MEDC is to assess the marketplace and determine which businesses to help in order to promote state economic growth. It hardly reflects well on the program that MEGA officials and state-hired economists, who sometimes provide MEGA forecasts stretching out 20 years, cannot envision MEGA

* This was not the only MEGA agreement with which Visteon was associated. In 2004, MEGA offered a deal to Atlantic Automotive Components LLC, a company that was 70 percent owned by Visteon, according to MEDC documents. This firm too has been unable to collect on the employment tax credit it was offered.

firms filing for bankruptcy as little as 15 months after winning a MEGA deal, as occurred with Kmart.

The preceding suggests why a database like the one created by the Mackinac Center is desirable — and why government transparency on the MEGA program should remain a priority for policymakers.

Appendix B: A Sample of Correspondence With the MEDC

The e-mails below show correspondence between the author and an MEDC public relations officer concerning several questions the author had about recent MEGA reports. One of these questions involved the meaning of “Jobs to be Created” data (see the discussion under “MEGA’s Annual Reports to the Michigan Legislature” in the main text above — particularly the first footnote). Although the final e-mail is dated June 16, no MEDC official has responded as of July 28.

From: LaFaive, Michael D.
Sent: Monday, June 01, 2009 4:29 PM
To: ‘beckmanb1@michigan.org’
Subject: Questions
Importance: High

Trace Graham:

Are MEDC (including “Corporate”) expenditures fed into the state’s MAIN computer system? In 1999 the then spokesman James Tobin said they would be excluded from the system.

Does the MEDC need to run its contracts through the State Administrative Board for approval? That was not the case in 2000 and I have seen nothing to suggest a change mandating that they be run through the State Administrative Board.

All MEGA Projects Spreadsheet and MEGA Credits spreadsheet had been abandoned in April 2008 according to past correspondence with Trace Graham.

The fiscal 2008 annual report, published in October is almost identical to the All MEGA Projects Spreadsheet. Who is responsible for creating this spreadsheet and why would it be so hard to update this monthly for those request it? Can that be done for us? Only three columns are really missing when you compare it with the All MEGA Projects Spreadsheet.

On the annual report to the legislature regarding the MEGA program (see attached) there is a “jobs to be created” column, which is good. But it doesn’t say whether those are direct, indirect, or both. Can you clarify what that represents please?

I have been informed that the per-company detail for the value of abatements received by company and by year are now considered confidential and that this order came from Treasury. Can you please tell me who gave this order and why, after 13 years such data must be held in confidence?

Why do the columns in the April 2008 and October 2008 annual reports to the legislature actually change? For instance, the last column in the April spreadsheet reads “Revenue Foregone: MEGA Costs” and the October edition does not have that column.

Moreover, is this EXPECTED revenue foregone or actual? I find it hard to believe that 100 percent of the deals that took place during the period. OR...

Does this report represent ONLY those MEGA deals that resulted in claimed credits? You will notice that the October 2008 doesn’t have a column for foregone revenue.

Does the MEDC/MEGA maintain a document or documents that tracks the precise incentives offered up by local units of government? I used to pull them from annual reports and Briefing Memos but the numbers aren’t in the annual reports anymore and the briefing memos have become increasingly vague—perhaps that’s on purpose.

Thank you for your time and attention in these matters.

Michael LaFaive

Director
Morey Fiscal Policy Initiative
Mackinac Center for Public Policy
Phone 989-631-0900
Fax 989-631-0964
E-mail: lafaive@mackinac.org
www.mackinac.org
www.michiganvotes.org

From: LaFaive, Michael D.
Sent: Thursday, June 11, 2009 3:30 PM
To: ‘beckmanb1@michigan.org’
Subject: Questions
Importance: High

Bridgett,

Regarding the MEGA program: Does your new database system down there give you the ability to extract the **value** of local incentives offered by some local unit/agency as part of the overall MEGA deal in a report that I could request through FOIA? Typically, these incentives come in the form of property tax abatements, but not always. I’ve seen local incentives that included landscaping and golf members too. If it does not, is it tracked in a way that would allow me to obtain the data in some

other format? For that matter, the same question applies to subjects such as the state's CDBG/RF commitment, any state education property tax relief and job training commitment.

You may recall that I had long been waiting for whatever new software was going to allegedly replace the "All MEGA Projects" and "MEGA Credits" spreadsheets used by MEDC/MEGA. In response to my requests I was sent a 300+ page report that contained a lot of data found in the "MEGA Credits" spreadsheet (but not all), and an even smaller percentage of what could be found in the "All MEGA Projects" spreadsheet.

I suspect you'll have to talk to your computer guys — Eric Hanna? — before you can get back to me.

I thought it might be easier to contact you or Eric directly for answer, rather than issue a FOIA. I'll call too, just to see if you need any clarification.

Michael LaFaive

Director
Morey Fiscal Policy Initiative
Mackinac Center for Public Policy
Phone 989-631-0900
Fax 989-631-0964
E-mail: lafaive@mackinac.org
www.mackinac.org
www.michiganvotes.org

From: LaFaive, Michael D.
Sent: Friday, June 12, 2009 12:15 PM
To: 'beckmanb1@michigan.org'
Subject: Return 1:30

Hi, Bridgett,

My voicemail to you said I'd be back at 1:00.

Actually, it has been extended to 1:30.

If you could call me after 1:30 I would appreciate it.

Thanks.

Michael LaFaive

Director
Morey Fiscal Policy Initiative
Mackinac Center for Public Policy
Phone 989-631-0900
Fax 989-631-0964
E-mail: lafaive@mackinac.org
www.mackinac.org
www.michiganvotes.org

From: Bridget Beckman [mailto:beckmanb1@michigan.org]
Sent: Friday, June 12, 2009 5:36 PM
To: LaFaive, Michael D.
Subject: RE: Return 1:30

Hi Mike,

We've had several similarly worded questions and requests come in multiple ports of entry recently from you/your staff and it's caused some confusion as to who's responding, whether they're currently in the FOIA queue or if they've already been handled. We don't want to waste your time nor duplicate efforts on our end, so we'll be sorting through these early next week, cross-checking for duplicate inquiries, reconciling with pending FOIA requests, etc. and then we'll get back with you.

Thanks.

Bridget

From: LaFaive, Michael D.
Sent: Tuesday, June 16, 2009 11:50 AM
To: 'beckmanb1@michigan.org'
Subject: Email

Bridget,

I received your Friday e-mail. Naturally, I am a bit disappointed, since my questions were submitted to you on June 1.

When might I expect a response this week based on your meeting? Today? Tomorrow?

The good news is that after months of being told that "All MEGA Projects" spreadsheet no longer exists, we learned yesterday that it is still maintained. That's good news for all of us.

Michael LaFaive

Director
Morey Fiscal Policy Initiative
Mackinac Center for Public Policy
Phone 989-631-0900
Fax 989-631-0964
E-mail: lafaive@mackinac.org
www.mackinac.org
www.michiganvotes.org

Endnotes

- 1 Michael D. LaFaive and James Hohman, "MEGA Grant Requests: What Companies Say," (Mackinac Center for Public Policy, 2006), (accessed July 24, 2009).
- 2 Mark Morante and Toni Brownfield, memorandum with Michigan Economic Growth Authority, January 16, 2007.
- 3 MCL § 207.810.
- 4 Adam Robach, Freedom of Information Act correspondence with James Hohman, July 22, 2009.
- 5 Ibid.
- 6 Trace Graham, Freedom of Information Act correspondence with James Hohman, April 3, 2008.
- 7 Karla Campbell, e-mail correspondence with Trace Graham and Mark Morante, February 13, 2009.
- 8 "Report: Tracking Jobs Commission Spending to Become More Difficult," Gongwer News Service, February 19, 1999.
- 9 "An Interview With Alma Wheeler Smith," Michigan Information & Research Service, July 2, 2009.
- 10 Paul Egan, "Democrats: MEDC Should Lose State Funds," Lansing State Journal, Feb. 12, 2000, 1A.
- 11 Ibid., 5A.
- 12 "Brandenburg: Big Cuts Possible for MEDC," Gongwer News Service, April 20, 2005.
- 13 Suzanne Lowe, "MEGA: Annual Report -- S.B. 71 (S-1) Summary as Passed by the Senate," ed. Michigan Senate Fiscal Agency (Michigan Senate Fiscal Agency, 2009), 1.
- 14 Lowe, "MEGA: Annual Report -- S.B. 71 (S-1) Summary as Passed by the Senate," 2.
- 15 "State of Michigan Journal of the House of Representatives: 95th Legislature, Regular Session of 2009," (2009), 167.
- 16 "Performance Audit of the Michigan Strategic Fund Oct. 1, 1988 Through Oct. 31, 1992," (Michigan Office of the Auditor General, 1993), ii.
- 17 "Performance Audit of Selected Training Related Programs: Michigan Economic Development Corporation," (Michigan Office of the Auditor General, 2003), 13.
- 18 LaFaive and Hicks, "MEGA: A Retrospective Assessment," 98-102.
- 19 Ibid., 23-25.
- 20 Author's calculations based on "Bureau of Economic Analysis Regional Economic Accounts: Gross Domestic Product by State," Bureau of Economic Analysis, <http://www.bea.gov/regional/gsp/> (accessed July 1, 2009).
- 21 Ibid.
- 22 Ibid.
- 23 Author's calculations based on "State and Area Employment, Hours, and Earnings: Michigan (Statewide, Total Nonfarm, Seasonally Adjusted)," Bureau of Labor Statistics, <http://data.bls.gov/PDQ/outside.jsp?survey=sm> (accessed July 21, 2009).
- 24 Rick Haglund, "Will Agency Survive under New Governor?," The Grand Rapids Press, November 7, 2001.
- 25 James Madison, "Letter to W.T. Barry," in *The Founders' Constitution* (University of Chicago Press, 1822).
- 26 "Adopted Minutes," ed. Michigan Economic Growth Authority (2001).
- 27 George A. Fulton, Ph.D., Peter Nicolas, and Donald R. Grimes, "The Economic Effects on Michigan of the Visteon Corporation Location Decision," (University of Michigan, 2001).
- 28 Ibid.
- 29 Graham.
- 30 "MEGA Credits vs. Conversions - All Companies for all Years," (Michigan Economic Development Corporation, 2009).
- 31 Kathy Blake, MEDC senior vice president, business development, correspondence ("Briefing Memorandum — Visteon Corporation") with Michigan Economic Growth Authority, November 13, 2001.
- 32 Ibid.
- 33 Susan Ireland, e-mail correspondence with Michael D. LaFaive, June 1, 2009.

Board of Directors

D. Joseph Olson, Chairman
*Retired Senior Vice President
and General Counsel,
Amerisure Companies*

Joseph G. Lehman, President
Mackinac Center for Public Policy

Lawrence W. Reed,
*President Emeritus
Mackinac Center for Public Policy*

Joseph J. Fitzsimmons
*Retired President,
University Microfilms*

Hon. Paul V. Gadola
U.S. District Court Judge

Kent B. Herrick
President and CEO, Thermogy

Richard G. Haworth
*President Emeritus,
Haworth, Inc.*

Phil F. Jenkins
Chairman, Sweepster Inc.

Edward C. Levy Jr.
President, Edw. C. Levy Co.

Rodney M. Lockwood Jr.
*President, Lockwood
Construction Company, Inc.*

Joseph P. Maguire
*President, Wolverine
Development Corporation*

Richard D. McLellan
Attorney, Dykema Gossett

James M. Rodney
*Chairman of the Board,
Detroit Forming Inc.*

Board of Scholars

Dr. Donald Alexander
Western Michigan University

Dr. William Allen
Michigan State University

Dr. Thomas Bertonneau
Writer and Independent Scholar

Dr. Brad Birzer
Hillsdale College

Dr. Peter Boettke
George Mason University

Dr. Theodore Bolema
Anderson Economic Group

Dr. Stephen Colarelli
Central Michigan University

Andrew Coulson
Cato Institute

Robert Crowner
Eastern Michigan University (ret.)

Dr. Richard Cutler
University of Michigan (ret.)

Dr. Jefferson Edgens
Brewton-Parker College

Dr. David Felbeck
University of Michigan (ret.)

Dr. Burton Folsom
Mackinac Center for Public Policy

Dr. Wayland Gardner
Western Michigan University (ret.)

John Grether
Northwood University

Dr. Michael Heberling
Baker College

Dr. Ormand Hook
*Mecosta-Osceola Intermediate
School District*

Robert Hunter
Mackinac Center for Public Policy

Prof. Harry Hutchison
Mason School of Law

Dr. David Janda
*Institute for Preventative
Sports Medicine*

Annette Kirk
*Russell Kirk Center for
Cultural Renewal*

David Littmann
Mackinac Center for Public Policy

Dr. Dale Matcheck
Northwood University

Dr. Paul McCracken
University of Michigan (ret.)

Charles Meiser
*Lake Superior
State University (ret.)*

Glenn Moots
Northwood University

Dr. George Nastas III
Marketing Consultants

Dr. John Pafford
Northwood University

Dr. Mark Perry
University of Michigan - Flint

Gregory Rehmke
*Economic Thinking/
E Pluribus Unum Films*

Dr. Steve Safranek
Ave Maria School of Law

Louis Schimmel Jr.
Mackinac Center for Public Policy

Dr. Howard Schwartz
Oakland University

James Sheehan
Deutsche Bank Securities

Rev. Robert Sirico
*Acton Institute for the
Study of Religion and Liberty*

Dr. Bradley Smith
Capital University Law School

Dr. John Taylor
Grand Valley State University

Dr. Richard K. Vedder
Ohio University

Prof. Harry Veryser Jr.
University of Detroit Mercy

John Walter Jr.
Dow Corning Corporation (ret.)

Dr. William Wilson
Economic Consultant

Mike Winther
Institute for Principle Studies

Dr. Gary Wolfram
Hillsdale College

Guarantee of Quality Scholarship

The Mackinac Center for Public Policy is committed to delivering the highest quality and most reliable research on Michigan issues. The Center guarantees that all original factual data are true and correct and that information attributed to other sources is accurately represented.

The Center encourages rigorous critique of its research. If the accuracy of any material fact or reference to an independent source is questioned and brought to the Center's attention with supporting evidence, the Center will respond in writing. If an error exists, it will be noted in an errata sheet that will accompany all subsequent distribution of the publication, which constitutes the complete and final remedy under this guarantee.

©2009 by the Mackinac Center for Public Policy. All rights reserved.

Permission to reprint in whole or in part is hereby granted, provided that the Mackinac Center for Public Policy is properly cited.

ISBN: 1-890624-86-1 S2009-05

140 West Main Street, P.O. Box 568 Midland, Michigan 48640 989-631-0900 Fax: 989-631-0964
www.mackinac.org info@mackinac.org

MEGA, the MEDC and the Loss of Sunshine: An Executive Summary

In recent years, opinion leaders and government officials have called on government agencies to provide readily available and easily accessible information about the agencies' projects, operations and spending. This emphasis on government "transparency" has led to the publication of an increasing range of useful data on Michigan state government. One state agency, however, has bucked this trend: the Michigan Economic Growth Authority.

MEGA is a state "economic development" program run by a board of political appointees and authorized by state government to select businesses to receive credits against the Michigan business tax in exchange for creating or retaining company jobs that allegedly would not exist otherwise. MEGA was established in 1995, and in its early years, the program produced reasonably detailed data on the businesses selected for the tax credits, the jobs created, the total business incentives provided and so on.

In the past few years, however, the information contained in MEGA's various reports has become increasingly vague and incomplete. The total value of MEGA business-tax credits awarded each year to each project is now unavailable, for instance, while the value of any MEGA-related local government business incentives has often been left out of the reports. These and other omissions have made it increasingly difficult to measure MEGA's cost and effectiveness.

This failure in government transparency is ultimately the responsibility of the Michigan Economic Development Corp., a state-chartered entity charged with creating and retaining jobs in the state and with administering the MEGA program. The corporation is subject to government reporting requirements and the Freedom of Information Act.

It is therefore particularly troubling that obtaining explanations of MEGA's various project reports — including an annual report to the Michigan Legislature required by state statute — can require a detailed knowledge of the program's inner workings and weeks of e-mail exchanges and phone calls. A series of basic questions that an MEDC spokesperson encouraged the

author to submit remain unanswered more than six weeks after her last e-mail and more than eight weeks since the questions were first submitted.

State legislators from both major parties have decried the MEDC's lack of transparency, and the Michigan Office of the Auditor General has criticized the agency in the past for significant inaccuracies in its reports and for its failure to verify key data. Unsurprisingly, at least one bill currently in the Michigan Legislature would require the MEDC to provide greater disclosure.

MEGA should be subject to a number of reporting mandates, such as regularly publishing for each MEGA deal the value of any local government incentives and any state education-tax abatements, state job-training subsidies and community development block grant infrastructure improvements. MEGA should also be required to publish each month the MEGA jobs tally by year by project for companies that have actually provided jobs and earned MEGA tax credits, and it should report each company's estimated cost disadvantage in locating in Michigan rather than a competing location. In addition, the Michigan Office of the Auditor General should provide annual audits of MEDC job claims, and the MEDC should be required to post its general ledger on the Web. (A full list of recommendations appears on Pages 12-13.)

Tracking the progress of the MEDC and of MEGA, the state's highest-profile targeted "jobs program," is particularly important in light of Michigan's economic performance during the last decade. Michigan was ranked 16th among the 50 states in per-capita state GDP in 1999, the year the MEDC was formed and began to administer MEGA; since then, the state has tumbled to 41st. Against this backdrop, state policymakers will need to address MEGA's growing lack of transparency — or consider ending the program altogether.

The full Policy Brief begins on the front cover.