

Michigan's Path to a Prosperous Future: Challenges and Opportunities



Michigan is Losing its Competitive Edge

For decades, Michigan was a global powerhouse of innovation, leading the world with its technological developments and manufacturing outputs.

But not any longer. In short, other states are surpassing Michigan on a number of measures – economy, education, and infrastructure to name a few. Our ability to stay competitive in comparison to other parts of the country is in jeopardy. We are now finding ourselves in the bottom third of national rankings, including 36th in K-12 educational outcomes, 39th in per capita personal income, 39th in health outcomes, 45th in electric service reliability, and 47th in road condition.

Michigan's lack of population growth is at the root of many of these troubling trends.

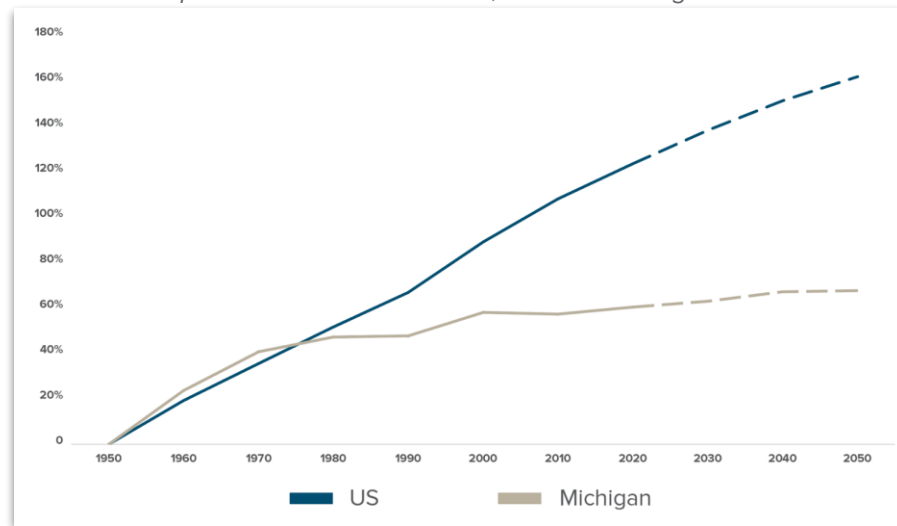
Michigan is suffering from brain drain, a shrinking workforce, declining health of its people, and a deteriorating infrastructure. All of this comes as racial and ethnic disparities across key indicators remain glaringly wide.

Michigan's Population and Demographic Trends Present Challenges

Michigan's Population is on a Path to Decline, Creating Challenges for our Workforce, Economic Growth and Fiscal Outlook

- Michigan's population growth has been slow since the 1970s and we are losing ground to the rest of the country.
- This gap will widen as Michigan's population is projected to grow at one-third the U.S. rate.
- On our current path, Michigan's population will start to decline in a generation.
- A declining population creates challenges for the state's workforce, customer base, and tax base.
- The state is also losing political influence, falling from 19 to 13 seats in the House of Representatives over the past 50 years.

Cumulative Population Growth from 1950, U.S. and Michigan



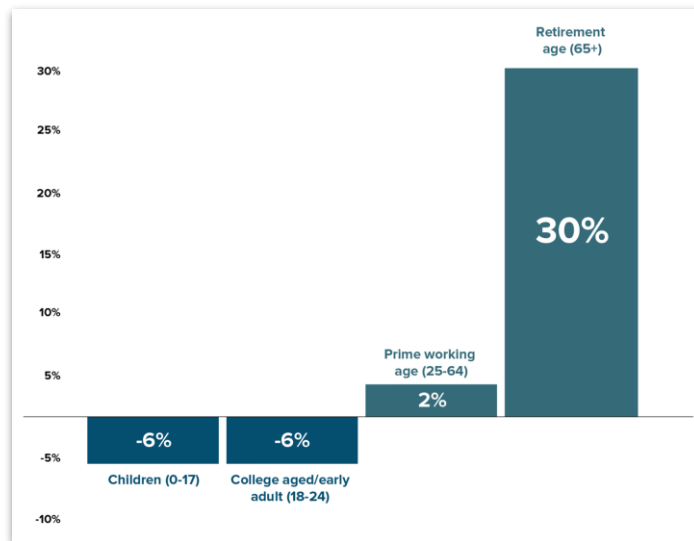
Sources of population data: U.S. Bureau of the Census (historical) and Jacob T. Burton, Gabriel M. Ehrlich, Donald R. Grimes, Kyle W. Henson, Daniil Manaenkov, and Michael R. McWilliams, University of Michigan, Research Seminar in Quantitative Economics, *The Economic and Demographic Outlook for Michigan Through 2050*, July 29, 2022 (projections)

Michiganders are Getting Older and Too Many Young People are Leaving the State, Impacting Our Future Workforce

Michigan's younger populations are declining: from 2010 to 2035, the ratio of workers to retirees will fall from 4.5 to 2.5

- Too many of Michigan's young people are starting families, buying homes, and advancing professionally in other states, building those states' economies and populations.
- As more Michiganders retire and age out of the workforce, our ability to replace these workers, fill necessary jobs and attract companies to stay in or relocate to Michigan is in jeopardy.
- A rapidly growing older population is also increasing the need for resources to support health care and long-term services and supports.

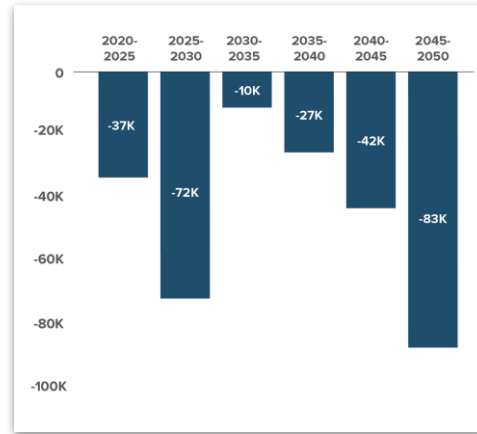
Projected Change by Age Group, 2020 to 2050



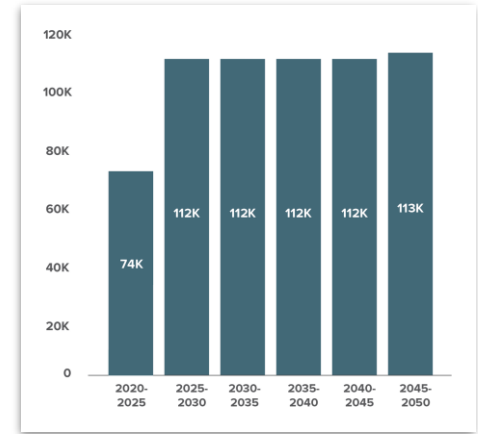
The Components of Population Change Point to Challenges and Opportunities

Out-migration to other states also draws down Michigan's population, international immigration adds

- **Domestic migration** is drawing down the population; Michigan is projected to lose more than 270,00 people to other states by 2050.
- **International migration** is adding to the population; Michigan is projected to gain more than 600,000 international immigrants by 2050.



Domestic Migration

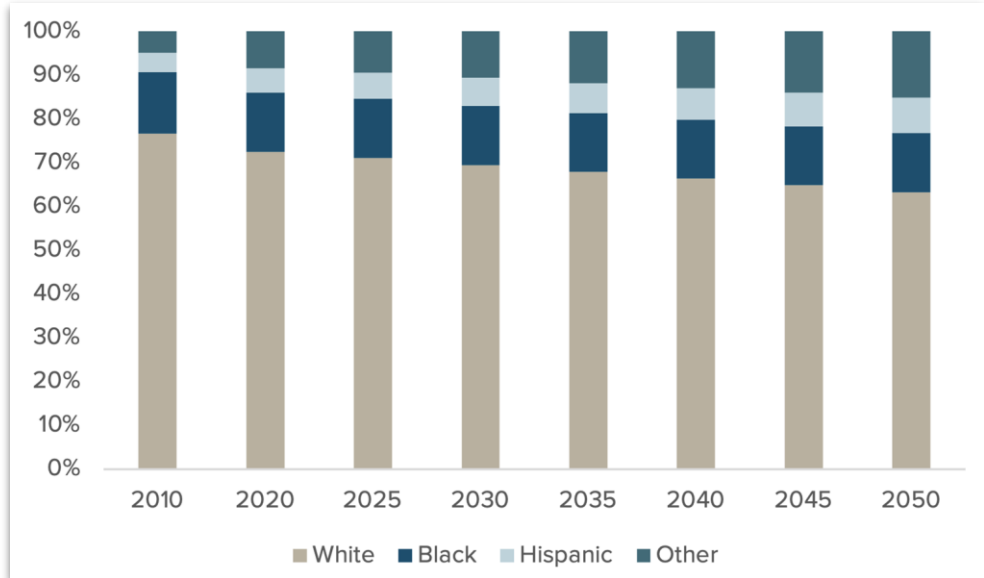


International Migration

Populations of Color are Driving Population Growth, but Racial and Ethnic Disparities Remain

- Michigan's population is becoming more racially and ethnically diverse, with all projected population growth coming from the state's populations of color, who will represent 40% of the working-age population by 2050.
- However, these populations have historically experienced poorer health and educational outcomes; less access to neighborhood opportunity; lower employment, earnings, and family wealth; and increased rates of incarceration. Dedicated attention to closing these disparities will be important socially and economically.

Projected shift in racial/ethnic composition of Michigan population, 2010 to 2050



Declining Opportunity and Quality of Life for Michiganders

Michiganders are Losing Ground Economically to Residents in Other States

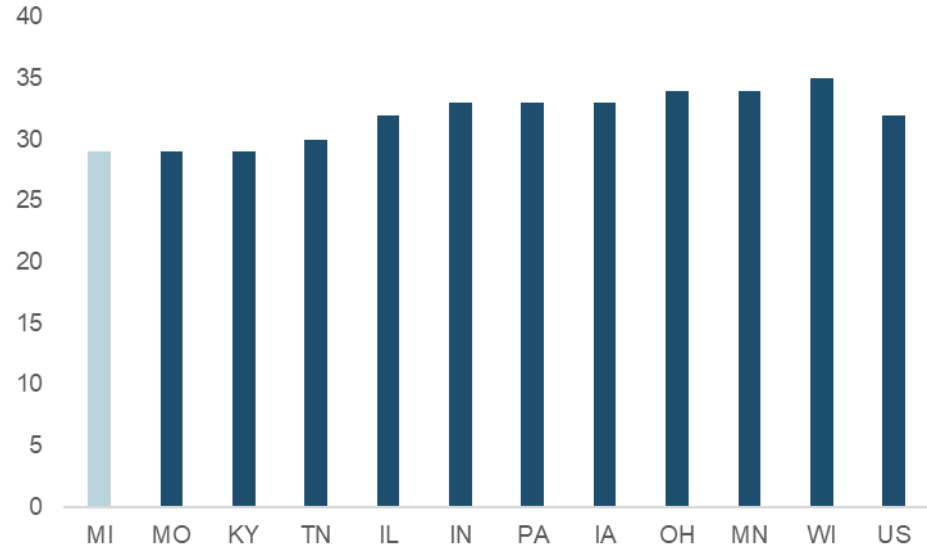
Michigan's personal income is in the bottom third among all U.S. states and trending downward

- Michigan's economy has recovered since the "lost decade" between 2000-2010 but still below the U.S. average in several metrics.
- Michigan personal income is less than and is growing at a slower rate than the national average.
- Projected population loss is likely to further constrain the state's economic growth.



Michigan's Educational Outcomes Lag the Nation

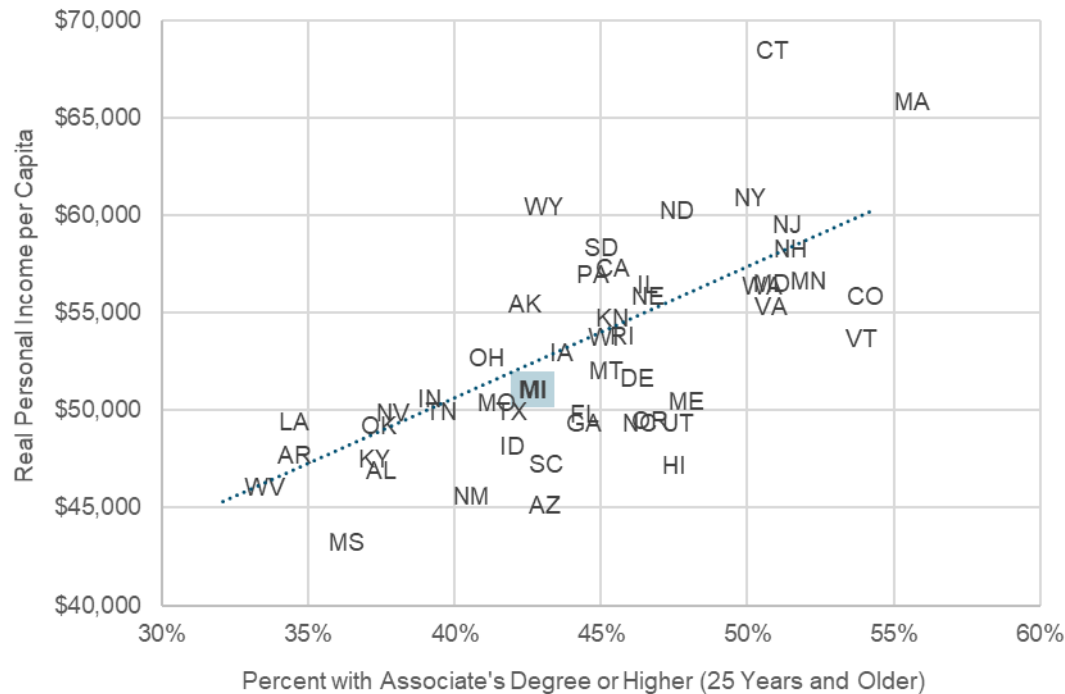
- Michigan's K-12 school system struggles to make our young people college- and career-ready. The state ranks 38th in math and reading proficiency.
- Michigan is in the bottom third of states for the percent of the population with college degrees. The cost of Michigan's higher education system is a barrier for many students who want to attend college, and many of those who do attend our colleges and universities are leaving the state.
- The state's education system is not generating home-grown talent to attract growth industries with high paying jobs.



Percent of K-12 Students Scoring at or Above Proficiency

A Struggling Education System is Widening Income Gaps

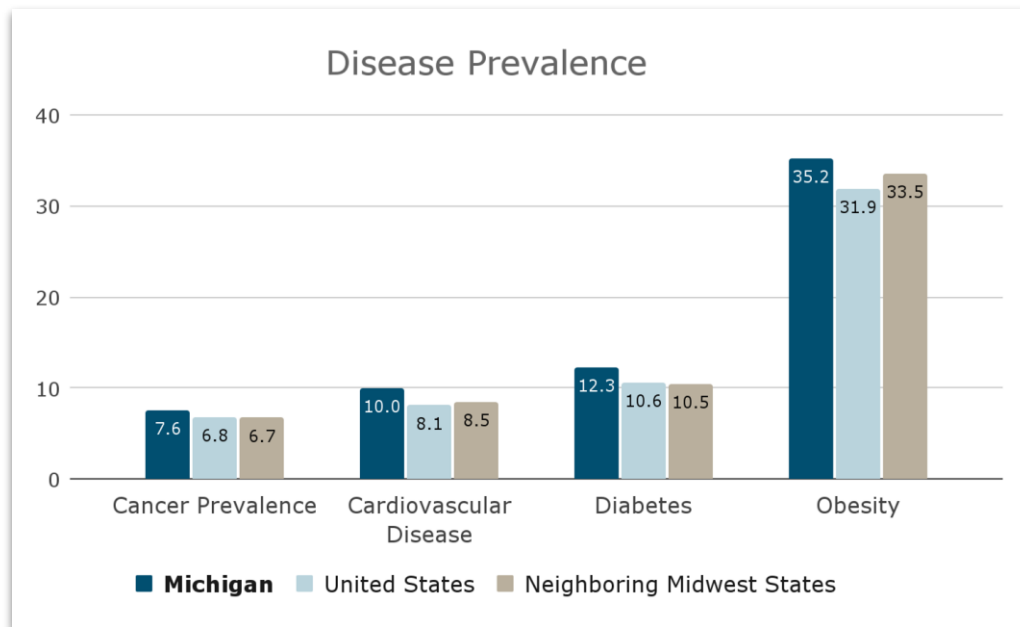
- States with high levels of populations with postsecondary degrees have higher incomes.
- Employment forecasts show that employment growth over the next decade will be faster in occupations that require a college degree for entry-level positions.
- Michigan is among states with low levels of college degrees and low income levels.



Michiganders Are Among the Least Healthy Americans

Michiganders' health outcomes are worse than national averages and those of neighboring states across many measures

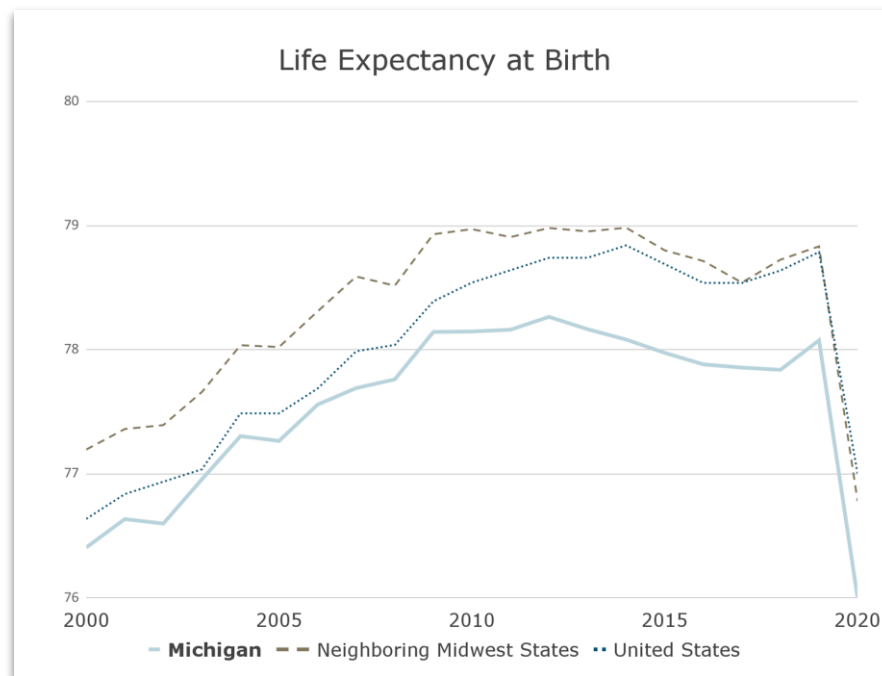
- For the past 14 years, the share of Michiganders who report being in good or excellent health has been lower than the national average (50.7% vs. 52.8%, respectively), and the gap has widened since 2008.
- Rates of serious health conditions are higher than average and Michiganders are more likely to have multiple chronic conditions.
- Michiganders also report more days in poor mental health per month than the national average (5.3 days in Michigan/month vs. 4.4 days in the U.S./month in 2023), with the gap increasing.



Michiganders Are Not Living As Long As Other Americans

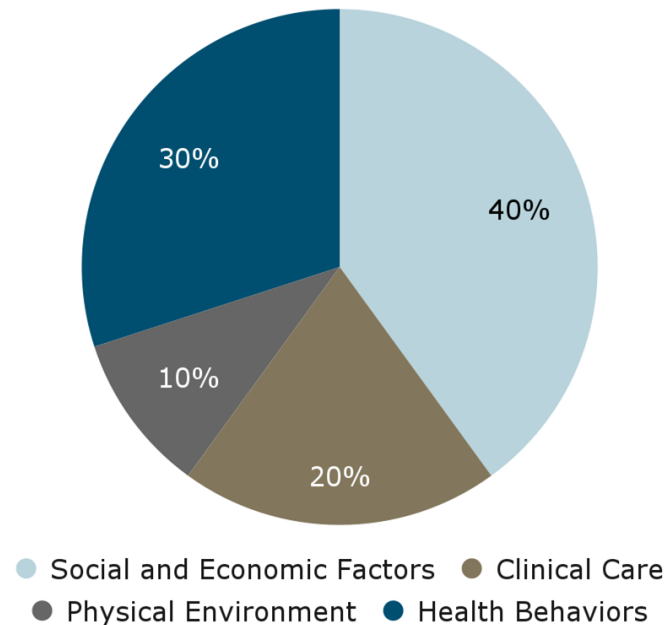
Life expectancy has declined relative to national benchmarks over the past 20 years

- In 2005, life expectancy at birth was nearly equal to the nation, but has diverged noticeably since then. Michigan's life expectancy in 2020 was lower than in 2000 at a full year less than the national average. Premature deaths (before age 75) in Michigan are also higher than the national average.
- Life expectancy across the country fell sharply in 2020 due to the COVID-19 pandemic, and early waves of the pandemic hit Michigan particularly hard, resulting in over 12,000 deaths.



Health Behaviors and Social Factors are the Largest Contributors to Health Outcomes

The Drivers of Health Outcomes



Source: "The Relative Contribution of Multiple Determinants to Health" Health Affairs Health Policy Brief, 2014.

Michigan's Roads Are Some of the Nation's Worst

The state trunkline system ranks below peer states and many locally-maintained roads are even worse off

- Estimates suggest that Michigan's transportation system will face a needs gap of \$4 billion annually through 2045.*
- While proposals for new and increased vehicle and fuel fees would bring in revenue to help close this gap and support improved road conditions, there are multiple opportunities for Michigan to make better use of existing revenue.
- Michigan could implement reforms including reducing allowable truck weights, adapting new technologies and methods to improve asset management and for investment decision support, and amending the state's transportation funding distribution formula to better match needs.

* Estimates subject to available data and methodological assumptions.

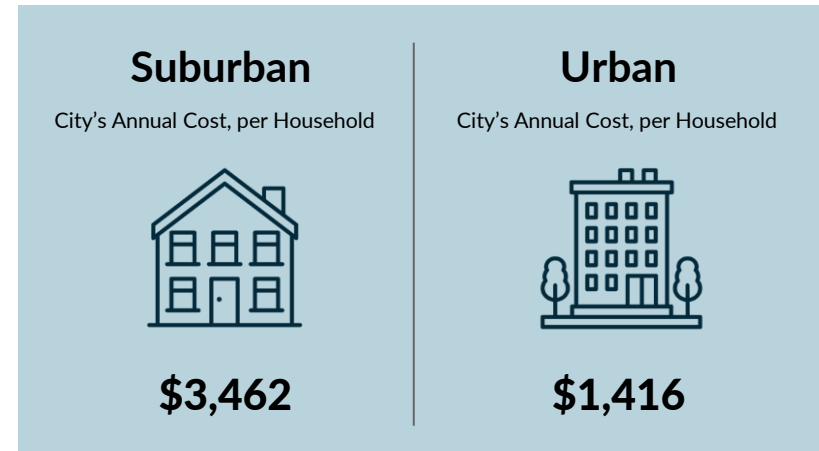
Michigan's percentage of National Highway System (NHS) miles in poor condition are among the nation's highest

Rank	State	Good	Fair	Poor
1	Nevada	72.3 %	27.5 %	0.2 %
2	North Dakota	69.3 %	30.5 %	0.2 %
3	Florida	47.1 %	52.5 %	0.4 %
4	Georgia	49.2 %	50.4 %	0.4 %
5	Idaho	53.2 %	46.3 %	0.5 %
6	South Dakota	61.1 %	38.4 %	0.5 %
7	Missouri	65.7 %	33.7 %	0.6 %
8	Indiana	49.8 %	49.5 %	0.7 %
9	North Carolina	46.5 %	52.8 %	0.7 %
10	Utah	49.4 %	49.9 %	0.7 %
14	Minnesota	60.2 %	38.7 %	1.1 %
15	Ohio	56.3 %	42.6 %	1.1 %
16	Tennessee	50.3 %	48.6 %	1.1 %
19	Kentucky	56.0 %	42.7 %	1.3 %
23	Pennsylvania	49.0 %	49.5 %	1.5 %
	Median State	48.8 %	51.9 %	1.7 %
33	Wisconsin	43.4 %	54.1 %	2.5 %
35	Iowa	45.0 %	52.1 %	2.9 %
41	Hawaii	20.2 %	75.3 %	4.5 %
42	Maine	32.8 %	62.7 %	4.5 %
43	Maryland	38.8 %	56.2 %	5.0 %
44	Washington	25.8 %	68.7 %	5.5 %
45	Illinois	37.8 %	56.5 %	5.7 %
46	New York	24.2 %	70.0 %	5.8 %
47	MICHIGAN	42.2 %	50.2 %	7.6 %
48	New Jersey	39.8 %	51.6 %	8.6 %
49	Louisiana	18.8 %	71.8 %	9.4 %
50	Rhode Island	23.3 %	61.6 %	15.1 %

Infrastructure Funding Problems Can be Traced to Michigan's Embrace of Suburban Sprawl

Estimates of Michigan's infrastructure funding gap typically exceed \$5 billion per year

- Michigan experienced rapid population growth in the early-to-mid 20th century, and much of the state's public works and infrastructure were established in this same time frame.
- However, in recent decades, the population of many cities and urban areas has stayed flat or decreased, while the population of suburbs and exurbs has grown, often encouraged and subsidized by Michigan's public policy.
- As Michiganders have moved from cities to suburbs and exurbs, the infrastructure of these cities has become outdated and under-maintained. Michigan has built more infrastructure in suburbs and exurbs that supports fewer residents.



Source: Schmitt, Angie, "Sprawl Costs the Public More Than Twice as Much as Compact Development." Streets Blog USA. Available at: <https://usa.streetsblog.org/2015/03/05/sprawl-costs-the-public-more-than-twice-as-much-as-compact-development>

Wide-Ranging Climate Impacts Require Wide-Ranging Responses

Successful climate adaptation will promote Michiganders' wellbeing and a sustainable state economy



Michigan's current climate policy emphasizes climate mitigation – reducing carbon emissions. These efforts will not measurably impact the climate change that the state experiences.



Climate adaptation must be built into state policies across the board.

- Infrastructure planning should include solutions such as routing power lines underground, ensuring stormwater systems can accommodate severe storms, and routinely inspecting and maintaining critical flood control facilities.
- Protecting Michigan's natural resources may include policies and programs that understand, track, and respond to harmful and invasive species and diseases, implementing land-use and forestry practices to reduce the likelihood of destructive wildfires, remediating sites with soil contamination, and managing shoreline areas.



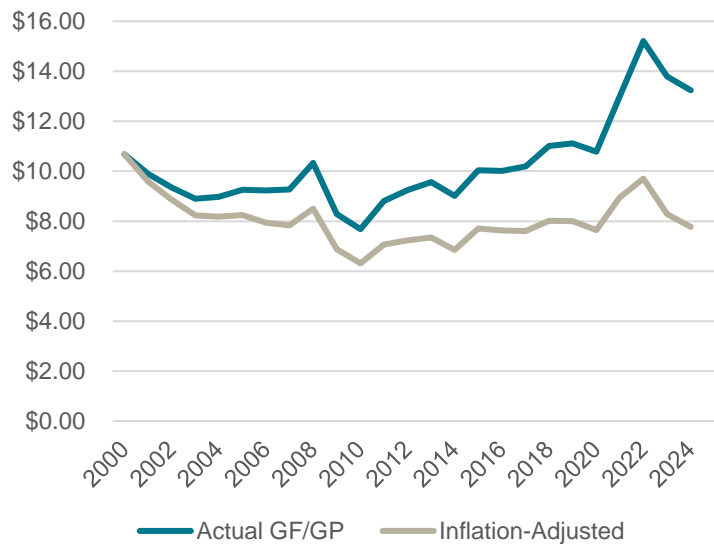
Importantly, all policies must ensure that addressing one negative impact does not result in other negative impacts (maladaptation).

The Legacy of Michigan's Economic Strain Lives on Today

Michigan's current financial picture is stronger than in recent years, but has not yet fully recovered

- During the first decade of the 20th century, Michigan endured a “single state recession” with persistent declines in employment at a time when the national economy was growing. The 2008 Great Recession made the situation worse.
- Between FY2000 and FY2010, General Fund/General Purpose Revenue, which supports much of the state budget, declined by 27%.
- As the nation began to climb out of the Great Recession, so did Michigan, and the state has experienced consistent growth in revenues since FY2010.
- However, state discretionary General Fund revenues in 2020 were still 25% below 2000 levels after adjusting for inflation.

General Fund/General Purpose Revenue, FY2000 to FY2025

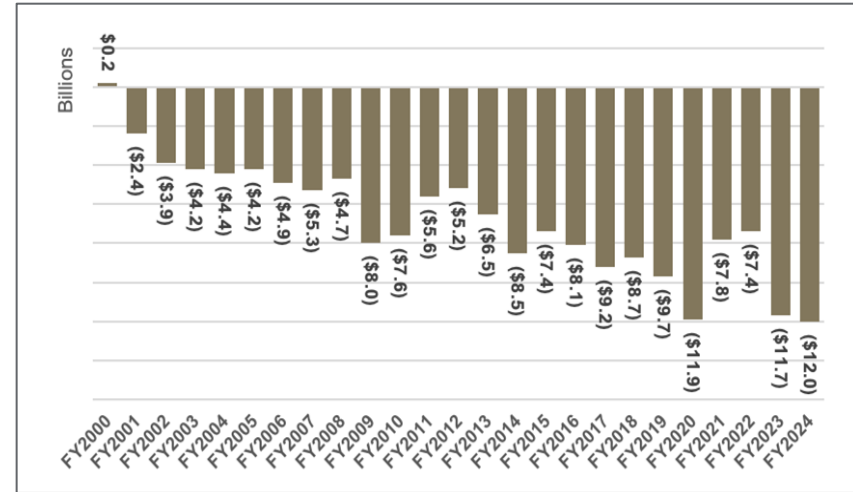


Michigan Taxing Increasingly Smaller Shares of Income

Slow revenue growth has brought state revenue \$12 billion below the state's constitutional revenue limit.

- 1978 Headlee Amendment included provision that state government should not tax more of residents' personal income than it did in 1978 – 9.49%
- Through 1980s, 90s, 00s, state not far below the revenue limit
- Since Great Recession, the delta has been widening
- Michigan's per capita personal income has been growing slower than the national average

State Revenue Relative to Constitutional Limit



Source: House Fiscal Agency, FY 2023-24 Appropriations Summary and Analysis, September 2023

Efforts to Make Michigan a Low-Tax State Have Implications on Quality of Life

Michigan's state and local governments have less fiscal capacity than peer states

- Michigan ranks 46th in the country in effective tax burden, with a state-local effective tax rate of 8.6% that is below all but one of our neighboring states and significantly below the 11.2% national average.
- Being a low-tax state can be a benefit, but only if a state is also attracting residents and providing desired services at the state and local government levels.
- Meanwhile, Michigan is experiencing stagnant population growth, and low taxes have reduced funding for services, even as tax revenues must support more services in Michigan than 30 years ago.

Tax Burden by State

Illinois	12.9%	7
Minnesota	12.1%	11
Iowa	11.2%	18
Wisconsin	10.9%	20
Pennsylvania	10.6%	24
Ohio	10.0%	28
Kentucky	9.6%	34
Indiana	9.3%	38
Missouri	9.3%	38
Michigan	8.6%	46
Tennessee	7.6%	49

Reports on the Citizens Research Council of Michigan website

<https://crcmich.org/publications/prosperous-future>

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