



Firstline Midwest

The Midwestern Office of The Council of State Governments

Volume 15, Number 4 • April 2008

In sluggish economy, lawmakers look to help put more Midwesterners to work

by *Laura A. Tomaka* (ltomaka@csg.org)

A slumping economy — driven in part by the lagging housing market and mortgage crisis, slow or negative job growth, troubled credit markets, high oil and gas prices, and slowing revenue collections — has come to dominate much of the recent work of policymakers in state capitals.

Job creation efforts have been central to stimulus packages focused on reinvigorating state economies and reversing downward trends throughout the region.

In the Midwest, it is no surprise that legislative agendas are dominated by concerns over jobs and the labor market. According to the U.S. Bureau of Labor Statistics, the Midwestern region reported an unemployment rate above the nationwide average for February (5.2 percent versus 4.8 percent).

The Midwest's employment slump is largely driven by losses in the manufacturing sector, especially the domestic automotive industry and its suppliers. Last month, manufacturing employment decreased nationwide by 48,000 jobs — half of which were in the motor vehicle industry, according to the U.S. Bureau of Labor Statistics.

As a result, five states (Illinois, Indiana, Michigan, Ohio and Wisconsin) are reporting even greater jobless rates, at an average of 5.6 percent.

Unemployment figures are less discouraging for the rest of the region, where some of the lowest unemployment rates in the nation exist. Iowa, Kansas, Nebraska, North Dakota and South Dakota all have rates below the national average.

But in those Midwestern states, too, policymakers are grappling with strategies to create “better” employment, to attract and develop industries that drive the modern economy, and to fill labor shortages that exist in some sectors.

State government is taking an active role in encouraging job creation and expanding opportunities for workers affected by layoffs, business closures and other labor-market trends. Policymakers are also working to strengthen workers' job security and create more high-skill, high-wage jobs in growing economic sectors.

Job creation strategies have focused on retooling state economies, upgrading the skills of workers, attracting business and investing in capital improvement projects. ★

State government is taking an active role in encouraging job creation and expanding opportunities for workers affected by layoffs, business closures and other labor-market trends.

Next month:

Facing the cost of college

Policymakers look for ways to help more students afford higher education



The Midwestern Office of The Council of State Governments supports several groups of state officials, including the Midwestern Governors Association and the Midwestern Legislative Conference, an association of all legislators in the region's 11 states. The Canadian provinces of Manitoba, Ontario and Saskatchewan are affiliate members of the MLC.



Policymakers push job training, business incentives, capital projects

Capital campaigns

In the Midwest, several states are proposing construction and capital improvement measures as a way to get people back to work quickly while improving their state's infrastructure and stimulating the economy.

"Invest **MICHIGAN!**," a proposed economic stimulus package, provides \$1 billion for infrastructure and building improvements and the creation of 28,000 construction and related jobs. The governor has proposed infusing the Invest Michigan! Fund with monies from the state's pension fund.

Dealing with job loss in **OHIO**, the nation's third-largest manufacturing state, has become the central theme in this session's legislative agenda.

Earlier this month, the Democratic governor and leaders of the Republican-led General Assembly worked out a \$1.57 billion public works proposal aimed at creating jobs and rebuilding the state's economy. The program would be partially financed with \$200 million in bonds and \$230 million from the state's tobacco settlement.

Funds will help improve the state's port infrastructure and target development of the state's bio-economy, (bioproducts, biomedical research and development), as well as renewable and advanced energy sources, such as wind and solar power and cleaner-coal technology.

The initiative will also provide funds for a private-public partnership to cre-

ate internships and jobs that encourage college graduates to stay in the state.

The **WISCONSIN** Senate passed legislation to implement the Wisconsin Invests Now (WIN) initiative. SB 510 provides \$50 million in infrastructure investment, which would result in the immediate creation of an estimated 2,500 good-paying jobs. The legislation also provides financial support for workforce development and small-business development.

Supporters of the plan advocate funding the initiative by closing what some consider a loophole that allows businesses to shift profits to other states and avoid paying Wisconsin income taxes.

In February, the **MINNESOTA** Legislature overrode the governor's veto of legislation to create a 10-year, \$6.6 billion transportation program. The project is expected to create 33,000 jobs annually.

ILLINOIS Gov. Rod Blagojevich's budget proposal includes the "Strengthen Illinois" economic stimulus package. Through the Illinois Works provision, more than 700,000 workers would be employed through a \$25 billion capital construction plan to repair the state's aging infrastructure, including roads, bridges and schools.

Another component of the plan would provide a statewide tax cut of 20 percent for businesses that maintain their 2007 employment levels. The tax cut would give private sector

employers an estimated \$300 million for further business investment and development.

Adding, keeping jobs

Illinois isn't alone in its efforts to support businesses that provide jobs for the state's workers. Policymakers throughout the region are focusing on encouraging business start-ups, expansions or relocations.


Michigan has been plagued by a prolonged economic downturn since the early part of this decade, driven by the closure and downsizing of manufacturers, especially within the troubled domestic auto industry.

To help bring jobs into the state, Gov. Jennifer Granholm has proposed a job creation tax credit. Under the proposal, the state would offer a one-time tax incentive to businesses in the nation's 50 fastest-growing industries if they expand operations or move to Michigan and create jobs in the state.

This session, the Michigan Senate passed a bill (SB 1187) that includes a provision to extend a current tax credit program aimed at economic growth to major projects in the tourism industry, such as resorts and lodges.

A number of other states also are targeting job growth in specific industries. Last month, **NEBRASKA** Gov. Dave Heineman announced a \$75,000 training grant to alleviate job shortages in the state's trucking industry.

Last year, **IOWA** passed a measure



(HF 892) that offers tax incentives to encourage the production of film, television and video projects in the state. And this session, several Midwestern states — including INDIANA, Michigan, Minnesota and Nebraska — also are considering legislation aimed at luring film production to their communities.

This session, the KANSAS Senate passed SB 489, which would require regional development foundations (created by the legislature in 2004) to establish funds for business development. The foundations operate on voluntary contributions from taxpayers, who receive a state income tax credit for their donation.

At least 60 percent of the development funds would have to be dedicated to job creation and retention, while the remainder of the funds would be used for business start-ups, expansion and retention.

Lawmakers in Nebraska are considering a proposal (LB 895) that would build on a 2005 program, Nebraska Advantage, which offers business tax incentives based on five tiers of capital investment and job creation.

Under Nebraska Super Advantage, businesses that invest at least \$10 million and create at least 75 new high-paying jobs would qualify for a sixth tier of tax credits. To qualify for the new tax credits, positions would need to pay at least 200 percent of the average wage in the county or at least 150 percent of the statewide average wage, whichever is higher.

Retraining workers

Michigan lawmakers have been debating expansion of the state's existing No Worker Left Behind program. The initiative was implemented last year with use of federal funds and helps retrain displaced workers to find jobs in high-demand fields in the state.

The current proposal (HB 5809), which has been passed by the House, would invest an additional \$40 million in state funds (provided through the refinancing of bonds) to help move more workers off of waiting lists and into retraining programs.

Legislators also are considering a package of bills known as Hire Michigan First (HB 5780-5791). The initiative stipulates that state economic development funds and contracts be awarded to companies that employ only Michigan workers.

Diversifying economies

Through economic diversification and by targeting industries with the greatest growth potential, policymakers hope to help their states compete and succeed in the global economy.

Last year, Kansas Gov. Kathleen Sebelius created the Office of Rural Opportunity, which is focused on attracting investment, job growth and business development to rural areas.

In February, Sebelius issued an executive order to create the Kansas Innovation Consortium, which is charged with creating ways to attract investment in some of the state's

fastest-growing industries, including bioscience, health, logistics and energy.


This session, the Kansas Legislature approved a bill aimed at addressing the state's energy needs and creating economic development through, among other provisions, the building of two new coal plants in the state. Sebelius vetoed the bill.

Other Midwestern states are also focusing on the connection between renewable energy and the creation of new, high-paying jobs.

Last year, Iowa legislators approved a measure to establish the Iowa Power Fund, which created the Office of Energy Independence and provides \$100 million over four years to develop businesses and jobs in energy industries.

Similarly, Michigan policymakers are looking to develop their state's renewable energy and energy efficiency industries as a way to create jobs.

The Legislature is considering a package of bills that would provide tax incentives for businesses that invest in technology to move the state toward proposed renewable energy goals.

Lawmakers in Ohio also are considering an energy bill (SB 221) that proponents say would help create jobs by promoting the alternative- and advanced-energy industries as part of a strategy to stabilize electricity rates. 

Laura Tomaka is a senior program manager for CSG Midwest. She can be reached at 630/925-1922 or ltomaka@cs.org.

Unemployment rates in the Midwestern states

State	Current unemployment rate*	2007 unemployment rate	2006 unemployment rate
Illinois	5.5%	5.0%	4.6%
Indiana	4.6%	4.5%	4.9%
Iowa	3.5%	3.8%	3.8%
Kansas	3.7%	4.1%	4.3%
Michigan	7.2%	7.2%	6.9%
Minnesota	4.6%	4.6%	4.0%
Nebraska	2.6%	3.0%	3.0%
North Dakota	3.0%	3.2%	3.2%
Ohio	5.3%	5.6%	5.4%
South Dakota	2.6%	3.1%	3.1%
Wisconsin	4.9%	4.9%	4.7%
U.S. average	4.8%	4.6%	4.6%

*As of February 2008

Source: U.S. Bureau of Labor Statistics

Source Guide

For more information on job creation, please visit the following Web sites:

Brookings Institution
www.brookings.edu

Bureau of Economic Analysis
www.bea.gov

Chicago Federal Reserve Bank
www.chicagofed.org

Economic Policy Institute
www.epi.org

Good Jobs First
www.goodjobsfirst.org

Jobs for the Future
www.jff.org

MDCRC
www.mdrc.org

Michigan Future Inc.
www.michiganfuture.org

U.S. Bureau of Labor Statistics
www.bls.gov

U.S. Department of Labor
www.dol.gov

Recent issues of *Firstline Midwest* have examined:

- Strategies to address state transportation funding needs
- State programs to promote financial literacy
- Policies to help and honor veterans upon their return home

Past issues of *Firstline* are available at www.csqmidwest.org.

The Council of State Governments
 Midwestern Office
 701 E. 22nd Street, Suite 110
 Lombard, IL 60148-5095
 Phone: (630) 925-1922
 Fax: (630) 925-1930
 E-mail: csqm@csq.org
www.csqmidwest.org

April 2008

Firstline Midwest

Non Profit Organization
 U.S. Postage
 PAID
 Permit No. 210
 Freeport, IL