



End the 21st Century Jobs Fund

By James M. Hohman

Summary

Former Gov. Granholm promised that Michiganders would be “blown away” by the number of jobs created by a new program called the 21st Century Jobs Fund. Instead of turning in an impressive performance, however, it has a record of failure and unsubstantiated claims.

Main text word count: 723

Over 10 years ago the state began an experiment in economic development policy. Gov. Jennifer Granholm pushed through a plan to gradually spend \$2 billion through a “21st Century Jobs Fund.” Famously, she told Michiganders that they would be “blown away” by the incredible results of this spending.

Well, the results are in and it’s hard to describe the 21st Century Jobs Fund as anything other than a complete failure. The money has all been spent, but no one has been blown away. And if new jobs have been created by this spending, they have not been consistently or coherently reported.

The latest annual report on this jobs fund lacks any reporting on how many jobs its five programs have created. This is despite the fact that state law requires this type of reporting.

There are some programs funded by the 21st Century Jobs Fund that do report jobs, but their reports are neither standardized nor consistent. For example, some programs report their “jobs created;” others, their “net jobs.” Some report “current direct jobs” while others report “jobs created/retained.” This mishmash of terms makes measuring and comparing the effectiveness of the fund impossible.

In addition, the state auditor expressed concern that the reported numbers did not accurately account for the number of jobs created by companies that received taxpayer dollars. It noted that program administrators “did not consistently ensure that recipients were in compliance with grant or contract provisions. As a result, [the administrator] could have disbursed funds for grants or contracts that did not achieve the desired economic development goals.”

What use is a jobs fund that cannot demonstrate that it produces jobs? Well, it might just be a slush fund for politicians who can give sweetheart loans and deals to friends, show that they’re “doing something” to boost Michigan’s economy or fund the latest economic development fad.

Through the 21st Century Jobs Fund, taxpayers have funded a wide variety of interests. It was originally envisioned to lend money to companies in the life sciences, alternative energy and technology industries. But through earmarks and 19 different alterations to the law that governs the fund, taxpayers have supported the forest industry, tried to prop up laid-off Pfizer employees, provided grants to defense contractors, partnered with venture capital firms and pumped money into universities. And now, the program

continued on back



State economic development programs are good at spending money, but their accomplishments are harder to measure.

funds Pure Michigan tourism promotion and “economic gardening,” a term that will baffle most state residents.

The most noteworthy quality of the 21st Century Jobs Fund is that it has no essential feature, other than spending taxpayers’ money on projects that are ostensibly for economic development purposes. There is no clear explanation or understanding of the strategy it is to use to improve the economy.

Moreover, there are plenty of clear failures. Through the 21st Century Jobs Fund, the state has made grants to companies that cashed its checks but never managed to create a single job. The state has made loans that were left unpaid and invested in companies that went under.

Spending taxpayer money on centrally planned economic development is unlike other forms of government spending. For example, spending on the Department of Corrections does employ a number of people as prison guards or parole officers. But the purpose of the department is to administer justice, not have an economic impact. By contrast, the stated purpose of the jobs fund is to create jobs and have an economic impact. But too often, state-funded economic development programs appear to have a simpler-to-achieve goal: spend money.

Lawmakers were clear on what they intended to achieve with the 21st Century Jobs Fund. It was to “diversify the economy of this state, encourage long-term economic growth and full employment, and create jobs.” It’s uncertain that the scope of the program was large enough to give it a chance of making substantial progress toward this goal — \$2 billion spread out over a decade accounts for just 0.05 percent of total economic production over the period.

But beyond the drop-in-the-bucket nature of the fund’s effect on the state economy, its failure to adequately disclose the jobs purportedly created ought to encourage lawmakers to reconsider the entire scheme. Upon investigating it, they will find that the state has spent a lot of money without much to show for it, and moving forward, scarce resources could be used in more effective ways.

#####

James M. Hohman is the assistant director of fiscal policy at the Mackinac Center for Public Policy, a research and educational institute headquartered in Midland, Michigan. Permission to reprint in whole or in part is hereby granted, provided that the author and the Mackinac Center are properly cited.

What use is a jobs fund that cannot demonstrate that it produces jobs? Well, it might just be a slush fund for politicians who can give sweetheart loans and deals to friends.

Attention Editors and Producers

Viewpoint commentaries are provided for reprint in newspapers and other publications. Authors are available for print or broadcast interviews. Electronic text is available for this Viewpoint at mackinac.org/pubs/viewpoints.

Please contact:

MICHAEL VAN BEEK
Director of Research
140 West Main Street
P.O. Box 568
Midland, Mich. 48640

Phone: 989-631-0900

Fax: 989-631-0964

VanBeek@mackinac.org

Mackinac.org

Facebook.com/MackinacCenter

Twitter.com/MackinacCenter