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MICHIGAN FUTURE INC.  
A Catalyst for Prosperity

## AMERICAN RESCUE PLAN RECOMMENDATIONS

July 7, 2021

For thirty years Michigan Future, Inc. has been a voice of common sense and forward-looking action that is based in data—rather than ideology. With a focus on restoring Michigan to high-prosperity: a place with a broad middle class.

The Michigan Future Board is committed to having a market economy that as it grows benefits all. More specifically, its focus is on good-paying jobs and careers, so that all Michigan workers have wages and benefits that allow them to pay the bills and save for retirement and the kids' education.

The quality of our data-driven research as well as the caliber of our bipartisan board gives the organization convening power. The ability to bring folks together across ideological and geographic divides and across sectors for in-depth consideration on how to deal with the economic challenges Michigan households are facing today and will face tomorrow.

To us the data are clear: Michigan has a two-tier economy. This two-tier economy is prevalent across all of Michigan and across all races and ethnicities. And it predates the pandemic, as evidenced by the Michigan Association of United Ways findings that in Michigan's strong 2019 economy nearly four in ten Michigan households were unable to pay for basic necessities.

This two-tier economy is structural. A reality when the Michigan economy is expanding as well as when it is contracting. A reality when unemployment is low as well as when it is high. A reality when the stock market is booming as well as when it is collapsing.

This is the prime economic challenge of our times: having an



economy that provides family-sustaining jobs—not just any job—so that all working Michigan households can raise a family and pass on a better opportunity to their children.

It is imperative that we figure out how you get a capitalism that as it grows benefits all. Now is the time for a transformative redesign of our approach to the economy. One that starts with changing the definition of economic success: from a low unemployment rate and a growing economy to one that is based on rising income for all.

We believed before the onset of the pandemic—and even more so now—that this is the time to make fundamental change in the state’s playbook to increase the economic well-being of all Michiganders. To us mid-course adjustment in what we have been doing is not the path to achieving rising income for all.

Our policy recommendations are explicitly designed to rethink what is foundational to state policy and programming to achieving rising income for all and go big in building that foundation. To identify the state policy levers that can have the highest impact on ending Michigan's two-tier economy.

Achieving rising income for all requires both raising income of low-wage workers and growing high-wage jobs by preparing, retaining and attracting talent. Our recommendations are designed to do both at scale.

The state and its local governments should use the once in a generation American Rescue Plan funding, as well as other new sources of revenue, first and foremost, to lay the foundation for that transformative redesign of economic policy. Specifically we recommend using American Rescue Plan funds, as well as other sources of new revenue, to:

**1. Greatly expand the Earned Income Tax Credit.** The EITC is pro work and an incentive to go back to work. Nearly six in ten Michigan jobs pay less than what is required for a family of three to be middle class (\$47,000). The pandemic made clear that these low-wage workers live paycheck to paycheck not because they are irresponsibly buying “unnecessary” luxuries, but because they are in low-wage jobs that leave them struggling to pay for the necessities. The reality is that most of those struggling economically, in good times and bad, are hard-working. Michiganders who like us get up every day and work hard to earn a living. What these hard-working lower-wage workers need most is income, not programs.

(As an example of doing something substantial, \$1 billion annually would expand the average state EITC benefit to \$1,500 from a current average of \$150.)



**2. Provide an annual government payment, above and beyond current education funding, for each child 0-21 growing up in an ALICE household.** We strongly believe Michigan under invests in its children. Particularly its non-affluent children. There is no path to a rising income for all that does not include, front and center, far better education outcomes.

We believe that under investment starts at birth and continues through college. So we propose Michigan substantially increase its investment in the education of every child growing up in a household struggling to pay for basic necessities each year from birth through college. These payments would be both pro growth and pro shared prosperity by increasing the human capital of children growing up in non-affluent households.

We recommend, above and beyond fiscal year 2022 education funding, providing an annual government payment directly to ALICE households for each child from 0-21. Think of this as something that operates like a health savings account: where parents and students have the resources to make their own education spending decisions. Including the option of utilizing those funds for extracurriculars and out of school programming.

(As an example of doing something substantial, assuming one million children in ALICE households, \$1 billion dollars a year would provide a \$1,000 payment per child.)

**3. State match for regional American Rescue Plan spending on retaining and attracting talent.** Our economic development priority should be high-wage job growth. Labor markets are regional and talent now is what attracts capital. So the way to achieve high-wage job growth is by creating regions where high-skill working age adults choose to live, play and work.

We propose the state offer matching funds to provide local governments a substantial incentive to use their American Rescue Plan funds, and other new revenue, to develop and implement regional strategies to retain and attract talent. Where funding can be used for all modes of transportation; water and sewer; broadband; housing; parks and outdoor recreation; and arts and culture.

Enacting these recommendations will put Michigan on a new path of economic policymaking: one that both provides higher income for today's low-wage workers and grows high-wage jobs by preparing, retaining and attracting the high-skill workers that matter most to high-wage employers. This is the recipe for creating an economy that as it grows benefits all. That achieves rising income for all.