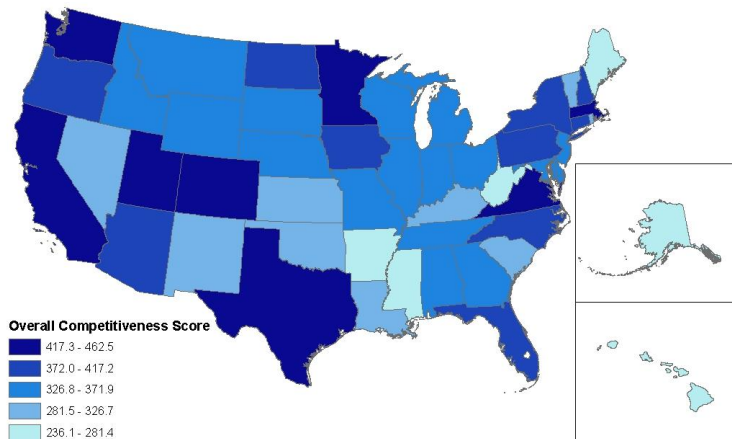


BENCHMARKS FOR THE NEXT MICHIGAN: 2010 UPDATE

SUMMARY BRIEF

In 2002, the Michigan Economic Development Corporation (MEDC) released *Benchmarks for the Next Michigan: Measuring Our Competitiveness* – the first comprehensive benchmarking analysis of Michigan’s competitive position relative to other states across the nation. Using the same methodology, this study presents an up-to-date assessment of Michigan’s relative strengths and weaknesses in today’s dramatically changed economy. This report is intended to provide a solid factual and analytical foundation to facilitate the state’s new leaders and legislators to move Michigan forward through appropriate economic development strategies and initiatives.

Michigan’s 2010 Competitiveness Score



Competitiveness Foundations Michigan & the Benchmark States

State	National Rank	Score
Massachusetts	3	444.7
Minnesota	5	434.3
California	7	422.2
Texas	8	420.8
Pennsylvania	9	397.3
North Carolina	13	382.9
Arizona	16	374.5
Florida	17	373.0
Maryland	19	371.0
Illinois	21	369.5
Tennessee	22	367.7
Georgia	23	364.5
Ohio	24	364.3
Wisconsin	25	364.0
Indiana	26	353.0
Missouri	27	352.0
Michigan	29	346.7
South Carolina	39	313.3
Benchmark State Average		378.6
U.S. Average		350.0

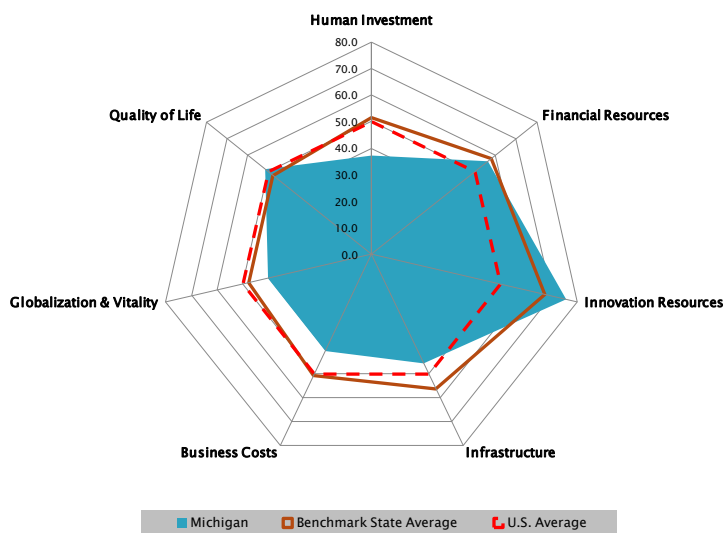
Scores are out of a possible 700 points.

Using a tailored *Competitiveness Foundations Web Model*, the study ranks Michigan among other U.S. states using a summary score for each state, which is a synthesis of scores from the seven foundational areas assessed in this benchmarking study: *Human Investment, Financial Resources, Innovation Resources, Infrastructure, Business Costs, Globalization & Vitality, and Quality of Life*. Scores are presented on a scale of 1 to 100 (with a score of 100 representing perfect performance and 50 representing the national average), based on a state’s rankings among all 50 states in the nation.

Where Does Michigan Stand?

Michigan’s ranking for overall competitiveness falls second to last (17th) among the benchmark states, exceeding only that of South Carolina. Its score (346.7) is well below the average for the benchmark states (378.6), and also falls below the midpoint nationally, with a nationwide ranking of 29th.

Michigan's 2010 Competitiveness Web Model



In two of the seven *Competitiveness Foundation* categories – *Innovation Resources* and *Quality of Life* – Michigan’s scores exceed both the average score for the benchmark states and the national average. Michigan also exceeds the national average for *Financial Resources*. Michigan falls below both the national and benchmark state averages in the other categories: *Human Investment*, *Financial Resources*, *Infrastructure*, *Business Costs*, and *Globalization & Vitality*.

How Has Michigan’s Position Changed?

Michigan’s overall level of competitiveness has declined significantly since 2002, when it ranked 9th among the benchmark states and 9th nationally. This development is primarily due to a major drop in its scores and rankings for *Human Investment*, *Financial Resources*, *Infrastructure*, *Globalization & Vitality*, and *Quality of Life*. Michigan’s performance for *Innovation Resources* has stayed consistently high over time, while its performance for *Business Costs* has improved.

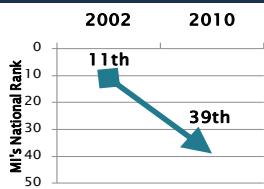
Michigan’s Competitiveness Foundations: Overall Results in 2010 versus 2002				
Competitiveness Foundation	2010 Results		2002 Results	
	National Rank	Score	National Rank	Score
Human Investment	39	37.3	11	64.7
Financial Resources	16	56.3	11	63.8
Innovation Resources	6	75.6	7	71.7
Infrastructure	34	45.4	22	58.1
Business Costs	38	40.3	42	33.8
Globalization & Vitality	44	40.2	7	69.5
Quality Of Life	22	51.6	4	64.7
Michigan’s Competitiveness Score & Rank	29	346.7	9	426.2

Scores in each category are out of a possible 100 points.

Michigan’s Performance in Seven Foundations for Competitiveness

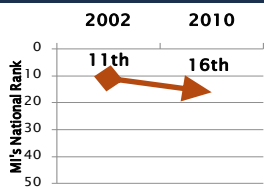
The full benchmarking report assesses Michigan’s performance in the seven foundational areas for state competitiveness, drawing upon data from over 150 quantitative indicators. For each indicator, Michigan is compared with a set of 17 “benchmark” states, which represent Michigan’s current and future U.S. competitors. The following section provides a brief summary of Michigan’s key strengths and weaknesses in each of the seven *Competitiveness Foundation* categories.

Human Investment



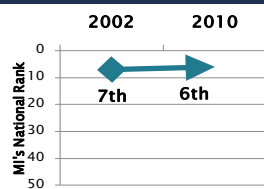
- + Good pipeline of students and degrees in S&E fields; Above average share of workers in S&E jobs; Strong reputation of graduate programs; High rate of high school attainment; Net inflow of immigrants (partially mitigating population losses)
- Average reputation, graduation rates, retention rates at 4-year universities; 8th grade student achievement is mixed; Average overall workforce productivity and Internet/broadband usage
- Below average higher education attainment of workforce; Net outflow of university students; High in-state public university tuition; Large population outflow and contraction of labor force

Financial Resources



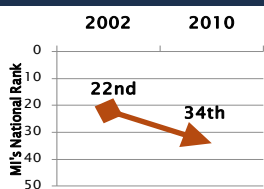
- + High level of capital investment in manufacturing; State's SBDCs have a very strong impact (business starts, capital infusion); Significant improvement in number of business incubators
- Average levels of venture capital activity and SBA lending activity
- Below average levels of small/micro business lending, SBIC financing activity, and commercial/industrial loan portfolio

Innovation Resources



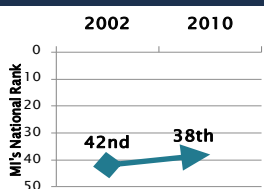
- + Exceptionally strong in industry R&D; Very competitive in university R&D; Very high patenting activity; Very strong in academic S&D publishing activity; Generally above average in university commercialization activity compared to all states
- Average in winning SBIR & STTR awards (but significant improvement over time); Average to below average among peer states for university commercialization activity
- Weak in attracting federal R&D funding and winning competitive NSF proposals

Infrastructure



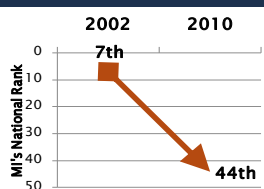
- + Good air transportation availability; High level of truck freight activity
- Average for household Internet connectivity – especially at higher speeds; Average rating for state e-government services
- Weak land transportation infrastructure (high congestion and poor road/bridge conditions); Low rate of energy generation from renewable sources; Low level of rail freight activity

Business Costs



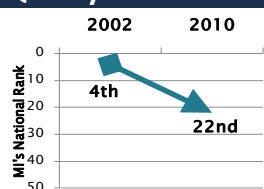
- + Competitive sales tax rate; Relatively low personal income tax rate & burden; Relatively low corporate income tax burden; Competitive availability & rental rates for industrial/office space; Competitive workers' compensation premium rate
- Average sales tax burden
- Higher than average overall tax burden (but decreasing); High property tax burden; Generally high costs for utilities; High employer healthcare costs; High unemployment insurance tax rate

Globalization & Vitality



- + Very competitive in total exports, manufacturing exports, foreign direct investment; Among top states for new corporate facilities/expansions; Strong presence of *Fortune 500* companies
- Average new business startup rate; Average number of entrepreneurs per capita; Average for *Inc. 500* & *Tech. Fast 500* companies
- Slowest economic growth and highest rate of job losses in nation; Declining exports; High unemployment and weak job opportunities; Large number of net business closures

Quality of Life



- + Competitive cost of living, affordable housing, high homeownership rate; Good health insurance coverage and health resources; Good water quality; Short commute times
- Average poverty and crime rates; Average school expenditures; Average to below average infant health; Average air quality; Average for arts/culture and sports/recreation assets
- Very high student-teacher ratio; Poor health outcomes (high obesity rate, death rates for common illnesses); Low rate of alternative energy usage; Below average population diversity