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## Promise of Foxconn project serves as bargaining chip for Michigan incentive legislation

### One company creating thousands of jobs creates bigger splash, economists say

By [Lindsay VanHulle](#)

LANSING — The state House could vote this week on a package of tax incentives designed to lure companies creating hundreds of new jobs to Michigan.

So far, no company publicly in the pipeline has been bigger than Foxconn Technology Group, the Taiwanese electronics manufacturer that has Michigan [vying to win](#) a reported \$4.2 billion factory and 5,000 jobs near Detroit.

Foxconn, whose formal name is Hon Hai Precision Industry Co. Ltd., promises so many jobs in one swoop that it has become a significant bargaining chip in a debate over the incentives, backed by a statewide group of economic development organizations calling itself Good Jobs for Michigan.

In Michigan, reportedly one of the leading states to land the maker of liquid-crystal display screens, Gov. Rick Snyder — who in the past has been skeptical of incentives and hesitant to approve new ones — is now one of the legislation's top proponents. He flew to Asia in early June to meet with Foxconn executives and is urging lawmakers to approve the three-bill Good Jobs package when they reconvene for one day this week before resuming summer recess. The legislation likely would have been queued up for this fall otherwise.

Sources have told Crain's that the company could be considering [a site in Romulus](#).

### Other states in play

Michigan is not the only state looking to Foxconn as leverage on important policy issues.

Foxconn Chairman Terry Gou told reporters in June that the company [is considering](#) a number of states for a \$10 billion investment in the U.S., including Michigan, Wisconsin, Illinois, Indiana, Ohio, Pennsylvania and Texas. The company could decide this month where to locate its plants, which reportedly could bring

at least 30,000 jobs.

Leaders of the Wisconsin State Assembly last week sent a memo to transportation and business groups in the state that made specific mention of Foxconn in a pitch to win support for road funding — specifically for Interstate 94 through Racine and Kenosha counties, where the legislators say Foxconn is considering locating up to 10,000 jobs, [the Milwaukee Journal Sentinel reported](#).

And North Carolina House Speaker Tim Moore last month said the state was trying to attract a company with plans to hire 8,600 employees; the North Carolina Legislature adopted a budget that includes a tax incentive for companies that create at least 5,000 jobs in the state. Moore didn't identify the company, but [news reports](#) suggest North Carolina is or was in consideration for Foxconn.

In addition to Snyder, Wisconsin Gov. Scott Walker and Ohio Gov. John Kasich, all Republicans, reportedly traveled to Asia to meet with Foxconn.

"You can understand why states feel under a lot of pressure to address these issues, because if you can attract one firm, if in fact you actually induce the decision, you are in fact creating some major labor market benefits for your state," said Timothy Bartik, a senior economist with the W.E. Upjohn Institute for Employment Research in Kalamazoo, [who has written about economic development incentives](#).

"The question that needs to be raised is: Are you designing your incentives so you're getting the maximum bang for the buck that you can?"

The Good Jobs for Michigan package — [Senate Bills 242-44](#) — stalled last month in the Republican-led House after Speaker Tom Leonard canceled a planned vote, alleging that [Snyder compromised GOP legislative priorities](#) through talks with Democrats. Leonard did not offer specific details about what priorities might have been compromised.

[Snyder recently told Crain's](#) while in Europe for a trade mission that as governor, he should be working with lawmakers from both parties to advance policies. A spokesman on Friday said Snyder continues to talk to legislative leaders about the incentive bills.

The House and Senate will be in session July 12, the only day this month the chambers plan to meet. Gideon D'Assandro, a spokesman for Leonard, said votes are scheduled that day, but the House's agenda has not been decided.

The bill package already cleared the Senate.

## Opportunity costs

Republican lawmakers "are in a tough position," said Tom Shields, a GOP consultant and president of Lansing-based Marketing Resource Group. There likely isn't a legislator who doesn't want Foxconn to invest in Michigan, he said, and yet many Republicans are philosophically opposed to using tax incentives to favor particular companies or industries.

"It's a lot easier to vote for something that you can specifically say, 'This is what it's for,'" Shields said. "It's a lot harder to say, 'We're going to implement this concept,' because when that happens, unfortunately government has a bad record of actually accomplishing the things they say they're going to accomplish."

Plus, a single company creating, say, 3,000 jobs makes a bigger splash than 100 companies each creating 30 jobs, Bartik said.

From an economic perspective, there's no difference — the total number of jobs is the same. Politically, he said, a company the size of Foxconn means "it's probably easier to get everyone's attention and get things through."

There's a trade-off. All incentives have opportunity costs, Bartik said, so states have to consider how to offset lost revenue. He believes incentives are more effective when they last for fewer years and are more targeted at specific services, such as customized job training.

And a state could push hard for an incentive package — or in Wisconsin's case, road funding — on the promise of a major project that ultimately could decide to go somewhere else.

Foxconn itself promised a sizable project in Harrisburg, Pa., in 2013 **that never materialized**.

Still, many in the economic development world are betting big this time.

"If this project won't get that legislation, then no project will," said John Boyd, principal and founder of Princeton, N.J., site selection firm The Boyd Co. Inc. "Above and beyond the obvious economic impact, there's just a branding value that the winning state will earn and they will market the heck out of it over the next half-dozen years."

A common denominator that Michigan and Wisconsin share is their status as right-to-work states, said Boyd, who has not worked directly on the Foxconn project. He said his firm's experience has shown that companies, particularly from Asia, prefer to operate in states with looser union rules.

It's a relatively new phenomenon that former Rust Belt states have a Foxconn-size project in their grasp, he said.

"I've called projects trophy projects over the years," Boyd said, "but this is truly the mother of all trophy projects."

## **Good Jobs bills**

The Good Jobs package would allow a company to withhold some or all of the income taxes paid on new hires for up to five or 10 years if they meet certain job and wage benchmarks, including separate tiers for companies that add at least 250, 500 and 3,000 jobs.

The incentive would be limited to 15 agreements each year, with a sunset for new deals as of Dec. 31, 2019. Tax captures would be capped at \$200 million.

Foxconn provides backers of the Good Jobs bills with serious leverage because Michigan currently doesn't have the necessary economic development tools to be part of the conversation between companies and site selectors, said Birgit Klohs, president and CEO of Grand Rapids-based economic development agency The Right Place Inc.

"We very rarely, if ever, get a chance at a Foxconn and others like it," Klohs said. "This is a package of bills that is not just for one project. It is a package of bills that sends a very clear message to those making

decisions about those kinds of projects that Michigan is open for business."

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