

Mail order, Internet tax effort brings in \$7M

LANSING — A multi-state effort to collect more sales taxes from Internet and mail-order companies has netted Michigan more than \$7 million in the first year.

While that's well shy of the \$26 million revenue stream state officials initially hoped the effort would produce, they say elements of the voluntary program's startup took longer than expected and the "streamlined sales tax project," as its known, is taking hold.

That's encouraging to Michigan retailers. For decades, they have been working toward greater tax collection from out-of-state firms.

"The most important thing is, it's a start," said Tom Scott, vice president of public affairs and communications for the **Michigan Retailers Association**.

"Our biggest concern was always the level playing field. If it's mandatory (sales tax) collection in a store in Michigan, it should also be mandatory collection on the Internet or from a catalog."

But under current law, it's not. Mail-order and Internet retailers must collect and remit sales tax only in states where they have a physical presence. Scott said the tax inequity gives out-of-state firms a 6 percent price advantage over Michigan retailers because they don't have to collect Michigan's 6 percent sales tax.

"That may not be a big deal on a small item, but when you're talking about computers or furniture, that's a considerable amount," he said.

The retailers' ultimate goal is for Congress to approve legislation that would mandate tax collection.

The idea behind the streamlined sales tax project is that a simplified, uniform tax-collection system, with electronic registration for retailers, standardized rules



CAPITOL BRIEFINGS
Amy Lane

and tax-remittance dates, will encourage retailers to voluntarily collect taxes on remote sales.

So far, more than 1,000 retailers have registered in the multistate system, which currently encompasses 20 states.

Dale Vettel, director of the bureau of tax and economic policy for the **Michigan Department of Treasury**, said he remains optimistic Michigan will eventually capture 10 percent or more of the taxes it loses in mail-order and Internet sales.

"What I have seen is a steady in-

crease throughout the year, month by month, in the collections," Vettel said. He said that if the pace continues, the state in current fiscal 2007 could easily double its collections from the \$7.14 million it received in fiscal 2006.

Remote-sales tax losses are estimated at \$317 million this year, and \$349 million in fiscal 2008.

By law, Michigan residents must report and pay the 6 percent tax due on remote purchases. But it's not a widespread practice. In fiscal 2005, residents reported about \$4.5 million in such taxes on their Michigan income-tax returns — less than

2 percent of the uncollected remote sales taxes estimated for that year.

Granholm in middle of *Inc.* magazine's ratings

Inc. magazine has rated Gov. Jennifer Granholm in the middle among the nation's 26 governors up for re-election, based on how their policies have encouraged business ownership and supported their states' business community.

The business magazine, in its Oct. 3 issue, ranks Granholm among 13 "three-star" governors who are "creative and diligent"

but still have "work to do."

That's below the top four governors whom *Inc.* judged "a true friend whose policies will benefit businesses over the short and long term," but above the eight "two-star" governors who have had some "fine achievements ... mitigated by mistakes, failures or oversights."

The four top governors were **Janet Napolitano**, D-Arizona; **Kathleen Sebelius**, D-Kansas; **Bill Richardson**, D-New Mexico; and **Jim Douglas**, R-Vermont.

At the bottom of *Inc.*'s list is **Mark Sanford**, R-S.C.

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LETTERS CONTINUED

■ From Page 8

a month for me), increase in medical and dental premiums, shorter layovers, no crew meals when we could have a day scheduled for 13 hours and five legs and only 50 minutes between flights.

Where in this country does an employer not allow a lunch break or intermediate breaks during the day? Sick pay is at only 75 percent when we pay 100 percent. These are only a few work rules that have changed. Sorry to inconvenience the passenger for wanting fairness instead of slave labor.

Oh, I know you say I could quit and get a different job if I am so unhappy, but who in this economy (especially Michigan) would hire a 53-year-old woman? I have worked 17 years for Northwest Airlines, and I have continued to work for the safety and well-being of all our passengers, but this is getting down to a safety- and health-related issues for all of us.

Deborah Otto
Flight attendant
Northwest Airlines Inc.
Holly

Gilbert hopes Fatheads are investment that sticks

BY ANDREW DIETDERICH
CRAIN'S DETROIT BUSINESS

Dan Gilbert's latest venture has nothing to do with online mortgage lending and just a little to do with the **Cleveland Cavaliers**, the **National Basketball Association** team he owns.

That's because his newest company, Livonia-based **Fathead L.L.C.**, sells life-sized vinyl wall graphics of Cavs star LeBron James, along with more than 150 other professional sports stars, pro and college team logos, and **NASCAR** race cars at \$99 a pop.

Other licensing deals are in the works, and Gilbert said he expects revenue to be \$25 million between Sept. 1 and Aug. 31, 2007, using the start of the NFL season as a benchmark. The company did not want to release revenue to date.

The 6-foot-tall vinyl Fatheads got investor Dan Gilbert's attention.



"We're not talking about posters here," Gilbert said. "These things look like they're coming out of the wall."

That was the appeal, he said, and why he thought it was a good investment when he first saw them.

Fatheads are life-size vinyl wall graphics of players 6 feet tall and 3 feet wide. There are helmets available that are 4 feet tall and 4 feet wide. Players are available from

the **National Football League** and the NBA. The helmets are available for NFL and some **National Collegiate Athletic Association** football teams. Some NASCAR vehicles are available as well, at 3 feet high and 7½ feet wide.

Gilbert said Fathead officials are negotiating with **Major League Baseball** and the **National Hockey League** to begin offering players and logos from those leagues, along with many others.

"I've known and admired Dan for years, and I know that before he invests any money he thoroughly researches his investments,"

said Andy Appleby, chairman and CEO of Rochester-based **General Sports and Entertainment L.L.C.** "I'd put my money on Dan for this one."

Fatheads have been advertised on the **ESPN** networks, the **NFL Network**, **DirectTV** and **Dish Network**, and the **Comedy Central** and **Spike** TV channels.

"A lot of the appeal has to do with completing a decorating scheme, like in a basement bar or an area like that," said Mike Foley, manager of **DC Sports at Twelve Oaks Mall** in Novi. "I think they'll sell. I've seen a couple, and they're not a bad product."

For now Fathead sticks to sports, Gilbert said, but could move into other areas such as music, movie stars and even family members.

The company is an investment of **Camelot Ventures L.L.C.**, the private investment group led by Gilbert and David Katzman.

The Fathead brand launched in September 2005 with NFL players and helmets. NBA players and NASCAR race cars were soon added.

A five-person startup originally called **Fathead Inc.**, the company lacked the capital to realize the full potential of the product, Gilbert said.

"Because of costs, you can't just make one or two," he said.

Fathead L.L.C. has no affiliation with the old company, and Elizabeth Jones, vice president of **Quicken Loans Inc.**, said that for that reason, the new company did not want to provide any contact information for the founders.

Camelot took over all licensing agreements of the previous company, which dissolved in June. Terms were withheld.

Since then, the company has hired 25 and plans to double employment by the end of the year.

Gilbert didn't want to say how much the products cost to make. They're made at various printers, he said.

Because the images have to be licensed, either through the individual player or the league, Gilbert said he doesn't worry about competition developing a similar product because leagues and players won't license for a similar or identical use.

Fatheads are sold only via the Internet, a similar model to another Camelot Venture investment.

Camelot has invested in Pleasant Ridge-based **ePrize L.L.C.**, an online promotions company that expects to have revenue this year of \$40 million. Camelot also has invested in **Lens Express** and **1-800 Contacts**.

Camelot owns the Cavaliers, with Dan Gilbert being the majority owner and David Katzman a part-owner and vice chairman of the team. Camelot also operates the Quicken Loans Arena, where the Cavs play.

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REPORTER'S NOTEBOOK



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Amy Lane

Business issues all over ballot

There's much at stake this November for business beyond the governor's race and ballot proposals.

In Washington, a potential loss of Republican U.S. House control could mean new Michigan clout. U.S. Reps. John Dingell, D-Dearborn, and John Conyers Jr., D-Detroit, would become chairs of their respective House Committees on Energy & Commerce and the Judiciary if "the U.S. House changes hands. And that's likely," said Sarah Hubbard, vice president of government relations for the **Detroit Regional Chamber**.

In the Republican-controlled Michigan Legislature, power upset is less likely. But a key contest for Democratic gain is the Senate seat being vacated by Shirley Johnson, R-Troy. Former state Rep. John Pappageorge, R-Troy, who ran unsuccessfully for Congress in 1992, 1994 and 1996 against U.S. Rep. Sander Levin, D-Royal Oak, now faces his son, Democrat Andy Levin.

Craig Ruff, senior policy fellow at nonpartisan **Public Sector Consultants Inc.**, said he doesn't



Ruff

think Democrats can win a Senate majority but they could move from holding 16 seats to 19, one seat shy. That would give Democratic Lt. Gov. John Cherry, if re-elected, the deciding vote in Senate splits.

And if it holds true that "Republicans generally follow a business agenda more than Democrats," that could affect business policy, Ruff said.

But another Lansing official watching the House and Senate outcome said there are many business owners in the Democratic caucuses as well as Republican caucuses.

"We're not in there trying to help somebody win control as much as we're hoping to continue to have friends in all four caucuses," said Rob Fowler, president and CEO of the **Small Business Association of Michigan**.

The race between Republican Secretary of State Terri Lynn Land and Democratic Macomb County Clerk Carmella Sabaugh is of high interest to Hubbard, who cited Land's advocacy on border-crossing issues and efforts to convince federal officials of the merits of an enhanced driver's license-passport document for identification, rather than a new passport requirement.

Hubbard is also watching the race between U.S. Sen. Debbie Stabenow, D-Lansing, and Republican Oakland County Sheriff Michael Bouchard. Stabenow has "been doing a good job" in areas important to the Detroit chamber, such as health care and transportation funding, while Bouchard has a good track record as sheriff and was "very supportive of the business community" when he was in the state Senate and House, she said.

FOCUS

ELECTION GUIDE

5 big issues you won't see on the ballot

When Michigan voters go to the polls Nov. 7, they will decide on five ballot issues. But there are five other issues at least as important to the state — and the state of business. Some have crept into the campaigns, and all will be issues the next governor and legislators will face.

The five issues are listed below and are written about in more detail beginning on **Page 12** by John Lindstrom, editor of Gongwer News Service, a daily political reporting service.

- 1 Corrections**
Tougher laws, more prisoners drive fastest-growing area of the state budget.
- 2 Pensions**
State and local governments are growing worried about the costs of their retirement and health care systems.
- 3 Stem-cell research**
Does the ban on research involving embryonic stem cells affect the state's ability to attract biotech R&D?
- 4 SBT**
The single-business tax is going away. But the big unknowns are what replaces it, when, and how big it should be.
- 5 Term limits**
Supporters say lawmaker turnover brings in new ideas; critics say it limits expertise and diversity.

In *Crain's* between now and the election

- What's next for business taxes after the SBT dies? See next Monday's issue for the answers.
- Ballot proposal endorsements are on Page 8; opinion on the gubernatorial race will be published Oct. 23.



And some you will:



Jennifer Granholm



Dick DeVos

Inside this section

The race for governor

Jennifer Granholm and Dick DeVos sat down with *Crain's* for interviews on the issues confronting Michigan. Summaries of their positions are on **Page 17**. Excerpts begin on **Page 15**.

Ballot proposals

Crain's asked supporters and opponents of ballot proposals on K-16 funding, eminent-domain and affirmative action to argue their positions. **Page 20**. Also, how Proposal 2 might affect the city of Detroit's efforts to help targeted businesses. **Page 24**.

On the Web

More election

- Extended transcripts of *Crain's* interviews with the candidates are available at www.crainsdetroit.com.
- Reader opinions on who won last week's debate.

FOCUS: ELECTION GUIDE

1 Corrections: Large prison population drives costs

Issues surrounding crime and punishment are as complex as the famous Russian novel by that name. State officials face an increasingly difficult task to balance public safety with the cost of imprisoning felons.

No area of the state budget has grown faster than corrections. The Department of Corrections employs 31 percent of 53,200 state workers, according to figures released this spring. In 1980, the department employed 7 percent of the state's then-70,000 employees. And its budget — \$1.9 billion for

the 2006-07 fiscal year — is practically three times the size it was in 1990.

Driving those costs is the prison population. In 1979, there were about 15,000 inmates. At the end of 2005, there were 49,377 inmates. And most prisoners are not locked up for assaultive crimes.

In 2004, more than 40 percent of inmates were imprisoned for assaultive crimes, 44 percent for nonassaultive crimes and 15.7 percent for drug-related crimes, according to Russ Marlan, public-

information officer of the corrections department.

Actual crime is only partly to blame for the increase in prisoners. The state's policies toward punishment — requiring prisoners to serve minimum sentences, tougher attitudes toward parole and zero tolerance toward parole violations — have much to do with the prison populations.

The nonpartisan **Citizens Research Council** said that if Michigan incarcerated people at the same rate as the other Great Lakes states, including New York,

total corrections expenses would be cut by \$500 million.

But state officials show no interest in changing how people are punished. In fact, all indications are tougher punishment will continue. Legislators are already looking at what changes need to be made in light of the crimes of Patrick Selepak, who killed three people after being mistakenly released after violating parole. Whatever those changes are, no matter how necessary they may be, they will bring more cost to the state.

2 Public pensions: Lack of money for future is big concern

Technically, public pensions are on the ballot in one form.

The Educational Funding Guarantee, also known as the K-16 proposal, caps how much school districts and universities have to pay for pensions and retiree health care costs and shifts the rest of the cost to the state.

Thanks to the struggles of the state's auto industry, the world knows about the costs of retiree health care and pensions on corporations.

Nationwide, state and local governments are growing worried about the costs of their public pensions.

It's a good news-bad news story for Michigan.

Beginning in 1997, every new state worker had to join a defined-contribution plan. But the state did not demand the same of the **Michigan Public School Employee Retirement System**.

And the state's largest cities and counties are beginning to struggle with the costs of their retirement and health care systems.

A bill is moving through the Legislature to allow local governments to issue bonds to cover those costs.

The issue is particularly acute for public school districts. Proposal A in 1994 changed how teacher and school worker retirements were financed. Before Proposal A, both the state and local districts contributed to retirement costs. Proposal A put the onus on local districts.

A report issued recently by the state **Senate Fiscal Agency** said those costs will equal 12.95 percent of total school financing in the 2006-07 fiscal year, which started Oct. 1. In 1999, it accounted for 9.13 percent of total school financing.

Unfunded future expenses are a major concern.

School retiree health care is paid on a pay-as-you-go system and now requires a contribution equal to about 6 percent of a worker's salary. By 2020, said Tom Clay of the **Citizens Research Council**, that contribution could equal 20 percent of an employee's pay.

In 2004, the nonprofit, nonpartisan council issued a report that said the total unfunded accrued health care liability was more than \$15.7 billion for school workers, and their unfunded pension accrued liability then totaled \$6 billion.



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3 Stem cells: Research ban may keep out life-science businesses

Since 1998, Michigan has banned embryonic stem-cell research — a facility doing research can be fined as much as \$5 million — and some now worry the ban affects Michigan's ability to attract high-tech life-sciences businesses.

Lou Glazer, president of Ann Arbor-based **Michigan Future Inc.**, said the ban could also affect Michigan's future status as a state where cutting-edge research is conducted. The **University of Michigan** has already lost a top researcher and the company he created to **Stanford Uni-**

versity because of Michigan's ban.

Critics including the **Michigan Catholic Conference** and **Right to Life of Michigan** say using embryonic stem cells destroys human life and the state should be unstinting in its defense of life. Opponents are also promoting greater use of alternative research by encouraging development of cord-blood banks.

Supporters say the embryos that could be used, left over from in-vitro fertilization procedures, are destroyed, and question how it is more moral to defend embryos than

to conduct research to save lives.

Opinion polls have consistently shown the public supporting embryonic stem-cell research. The national **Coalition for the Advancement of Medical Research**, a pro-stem cell research organization, released a poll in the spring that showed that 72 percent of 1,000 people contacted supported the research.

Many states with top research universities have started financing embryonic stem-cell research. Rep. Andy Meisner, D-Ferndale, a leading legislative advocate, said

financing is under way in California, Connecticut, Ohio, Illinois, New Jersey, Massachusetts, Texas and Florida.

But the issue remains hot politically. Republican activist Ronna Romney defended her former brother-in-law, Massachusetts Gov. Mitt Romney, when leaflets were passed out at the state Republican Convention blasting him on his support of some types of stem-cell research.

Meisner has legislation to allow the research, but the bill, HB 4900,

has no Republican co-sponsors. In the state Senate, however, similar legislation has been introduced by Republican Sens. Bev Hamerstrom of Temperance and Shirley Johnson of Troy.

Gov. Jennifer Granholm has created an online petition, signed so far by 7,288 people, urging the Legislature to enact a stem-cell bill.

Meisner said there may be a move in the future to put the issue on the ballot.

4 Single-business tax: Replacement tax's form is uncertainty

Come Jan. 1, 2008, Michigan's 33-year old single-business tax dies. What will be born in its stead is what has business nervous.

Of all issues facing policymakers in Lansing, a new business tax is both one of the most immediate and controversial. The SBT and its companion insurance tax raise between \$1.8 billion and \$2 billion annually. If those numbers sound familiar, remember the **Michigan Department of Corrections** budget totals \$1.9 billion.

Rely on this: Michigan will have a business tax. Ari Adler, press secretary for Senate Majority Leader Ken Sikkema, R-Wyoming, said businesses understand they benefit from state programs and should help pay to maintain them.

What's at stake is creating a "fair" tax, and whether that tax includes an overall cut.

There are a number of complications to any solution. First, when does a replacement tax get enacted? Sikkema, who is term-limited, wants the replacement resolved yet this year. But he's also acknowledged there's only a slight chance that will happen.

The gubernatorial election could gum up timing. If Republican Dick DeVos defeats Granholm, what's best for him politically? Some Republicans want to hold off action until 2007 so he can play a role. Other Republicans feel DeVos needs to be shielded from criticism if the replacement tax is a bust, so it should be enacted this year.

But it's the technical issues that will prove most nettlesome. A joint House-Senate committee is supposed to recommend a replacement tax by Dec. 1. The committee has met a few times but no proposal so far has come forward.



Michigan's businesses are coming together to vote NO on Proposal 2.

A diverse workforce is vital in today's globally competitive economy – it improves the bottom line. Proposal 2 would take away the tools Michigan needs to ensure that our state's economy moves forward. Proposal 2 eliminates all affirmative action and outreach programs that promote diversity.

We can't go backward now. Don't roll back progress. Vote No on Proposal 2.

One United Michigan members:

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 - Asian Pacific American Chamber of Commerce
 - Booker T. Washington Business Association
 - Business & Professional Women - Michigan
 - Chaldean American Chamber of Commerce
 - Detroit Regional Chamber
 - Detroit Renaissance
 - Hispanic Business Alliance
 - Michigan Hispanic Chamber of Commerce
 - National Association of Women Business Owners
- ...and more than 200 others!



To learn more about Proposal 2 and how you can educate your employees, please visit www.oneunitedmichigan.org.

Paid for with regulated funds by One United Michigan, P.O. Box 81156, Lansing, MI 48908

FOCUS: ELECTION GUIDE

5 Term limits: Turnover, institutional memory become issues

Many legislators, lobbyists and observers hate them. Their strongest defenders think they're working exactly as they should.

To review: In Michigan, a person can be elected to three two-year terms in the House of Representatives and two four-year terms in the Senate, a total of 14 years. That is a lifetime limit. A person can be elected governor, attorney general or secretary of state for two four-year terms. Again, those are lifetime limits.

The effects of term limits are as much a matter of subjective analy-

sis as objective quantification.

Since 1992, the 110-member House of Representatives has turned over completely twice; the 38-member Senate has turned over once. One governor, John Engler, and one secretary of state, Candice Miller, have been term-limited out of office.

A study released over the summer by the National Conference of State Legislatures that looked at all term-limit states concluded term limits have not advanced legislative diversity.

In Michigan, the number of

women in the Legislature has gone down under term limits. In January, it is unlikely there will be more than 30 women in the House and Senate. In 1999-2000, there were 32 women in the House alone.

Almost anyone involved in the legislative process has the same term-limit complaints: lack of institutional knowledge, lack of subject knowledge and lack of bipartisanship.

Kevin Kelly, executive director of the Michigan State Medical Society, one of the strongest term-limits critics, pointed to Rep. Gary

Newell, R-Saranac, as an example of its problems: For six years,



Kelly

we set up a system of planned obsolescence?" Kelly asked.

Newell has been studying and working on the issue of health-information technology. By January, he is out of office, before being able to get changes enacted.

"Why would

Issues often take years to resolve, and Kelly said that already-ponderous process is not helped by term limits.

For example, replacing the single-business tax: Fewer than one-third of the 148 members of the Legislature were in office in 1999 when the first steps to repeal the tax took place. If replacing the SBT bleeds into 2007, at least 21 members of the Legislature will be have been just elected, never been involved in any legislative debate on the issue and expected to get to speed on the issues of state taxes quickly enough to cast critical votes.

Lobbyists and bureaucrats now often become the institutional memory for the Legislature. And the number of lobbyists has been growing under term limits. In 1998, the earliest year the data is available, 2,202 lobbyists and lobbyist agents were registered with the state (lobbyists are the organizations, lobbyist agents the actual individuals). By 2005, that number had grown to 2,573, according to the Department of State.

Economist Patrick Anderson, a primary author of term limits, said term limits helps ensure that ideas are refreshed periodically by people who look at issues from the practical perspectives of their lives outside of politics.

"Term limits replaces inside-the-government knowledge with outside-the-government knowledge," he said. And he takes great delight that House Speaker Craig DeRoche, R-Novi, was in business before coming to the Legislature.

But DeRoche is also a graduate of the Michigan Political Leadership Program at Michigan State University, a group established specifically because of term limits. The program helps people interested in political office learn many fine points of governing — points learned in the past through actual experience.



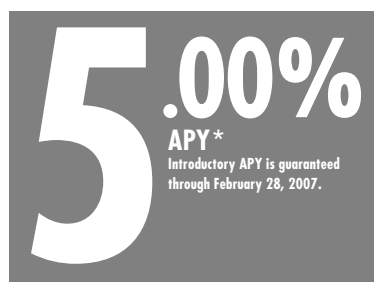
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Crain's is compiling a list of capital campaigns raising money for local nonprofits. The list is scheduled to appear in our Nov. 13 issue.

If your organization belongs on the list, send an e-mail to Assistant Managing Editor Michael Lee at mlee@crain.com with "Capital campaign" in the subject line.

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FOCUS: ELECTION GUIDE

Which gubernatorial candidate should business support? In excerpts from separate interviews with *Crain's Detroit Business*, Gov. Jennifer Granholm and challenger Dick DeVos say how they plan to address the economy, taxes and other key business issues.

Published here are excerpts from those interviews. For a more complete transcript, visit www.crainsdetroit.com.

Granholm & DeVos the business agenda

First things first



Granholm



DeVos

Day one in office, what is your priority to improve Michigan's economy?

Granholm: We've got a "jobs today, jobs tomorrow" plan that has six elements to it, and we're going to continue to work that plan. We can't flip the switch and have the economy transform overnight. And so the second term we're going to continue to work to diversify the economy through our 21st Century Jobs Fund, continue to work to transform education like we have in this past year, with higher standards but to double the number of college graduates. We've got a Michigan First Health Care plan that we want up and running by April of '07. We will continue to work that, continue to improve the business climate.

I hope that by Jan. 1, we have a new business tax in place. But if we don't, we have to continue to do that and continue to elevate the importance of workforce training through the community colleges. And I would add one more thing to that, which is mass transit for this region.

DeVos: Sort out the SBT problem. This is a really historic opportunity. We've accelerated a discussion that we were inevitably going to have, that we're better off to have sooner versus later. And this is an opportunity to do a good evaluation of the competitive dynamic of what's going on with business taxation in Michigan.

Forty-five other states have business-income taxes. We're the only one that has a value-added form. I'm not suggesting take longer than necessary, but I am suggesting to be sure that we understand both dimensions. There's only been one dimension largely discussed, and that is how much to replace. I would like to look at the other side of it, which says how do we replace it in a competitively sustainable and attractive manner?

And that is where we have to take a fair bit of time to understand what the competitive set is, understand how alternative plans presented by a variety of organizations will work their way into placing Michigan in at least in the mainstream and hopefully give us some competitive advantage. Taxes count. They do matter.

Business tax 2.0

Assuming the Legislature does not approve a business-tax re-

placement this year, how hard and fast will you work in 2007 to get this issue resolved? Don't government and business need significant time to prepare?

Granholm: It has to be immediate. The frustrating part is that it's difficult to recruit people here if they don't know what their tax liability is going to be. That's why Wall Street put us on a negative watch. I wouldn't have made the move like the Legislature did to eliminate it without a replacement.

We've put a replacement on the table that can be the straw plan from which we work. I think there are certain principles that everybody agrees to. One is that you've got to have a tax that is a pro-growth tax, that is a competitive tax and that is a tax that does not tax job creation and is weighted more toward profit, and that lowers the rate and flattens the base.

I signed into law 60 tax cuts. I just signed into law a \$600 million tax cut for manufacturers. There's another earned-income-tax credit that's coming to my desk, which is another \$250 million. We have from 1999, which was the year when we were selling SBTs at a great clip and our economy was very robust, to today over \$1.7 billion less in tax revenue because of tax cuts that have rolled in.

Tax cuts alone are not the answer. You have to have a competitive tax climate. That's why the single-business tax must be replaced but it's got to be revenue neutral.

DeVos: The sooner the better. I would rather have a positive outcome than try to drive toward a particular date and time. My goal would be certainly in the first half so that you have a chance to accommodate a transition plan that's going to give time for organizations to adopt and adjust.

Let's not presuppose that everything has to now change at that date because now the agenda has got to be to move as rapidly as we can toward a great solution. We must have a better answer here, and we should not rush through and do haphazard work in finding a good solution.

Gov. Granholm, assuming the Legislature remains Republican, how will you get them to pass your plan?

Granholm: They need to be aware of what will happen to those who would be impacted by the cut. You can slash further higher education. Do we really want to do that at a time when our goal is to double the number of college graduates? Our tuition rates have gone through the roof as a result of slashing higher education. You can let people out of jail. The prison system takes a very large amount of that general fund budget. That would seriously impact our quality of life. Or you can slash more people off of Medicaid: children, people with disabilities or senior citizens. I don't think the citizens will stand for that.

The Upjohn Institute said that Michigan business taxes are 12 percent below the national average. For those who are just locating here, it's 17 percent below the national average. There are 38 states according to the Council on State Taxation, a nonpartisan group that analyzes all the states, who (have higher) business taxes than Michigan does. So it's not so much the tax revenue that's the problem. It's the way the tax is structured that's the problem.

Mr. DeVos, why do you think Michigan can afford a business-tax cut?

DeVos: I don't find any dimension that suggests that Michigan is undertaxed and Michigan business is in any way undertaxed. We are either somewhere between the middle of the pack or well down the list depending on exactly how you want to measure this thing. That's the wrong end of the list to be on. And so a tax cut is necessary, and certainly a methodology shift is necessary as it relates to SBT. Also, personal-property tax is going to be the next item on the hit parade.

You have a \$42 billion budget. I've already laid on the table about \$800 million worth of cuts that are specific and so that could be made and that would not represent cutting essential services. So yes, we can do a tax cut. And if we can put ourselves in a competitive advantage for job creation by doing a tax cut, then that would be in Michigan's long-term interest in my view.

Campaign issues

Gov. Granholm, you have criticized Dick DeVos for China operations he created as president of Ada-based Alticor Inc. How is that different from General Motors cutting jobs in Michigan and building factories to sell cars in China?

Granholm: My opponent has run \$20 million of ads saying two things. One, that he's a jobs maker, the inference being that he's making jobs in Michigan. And two, that Michigan's economy is in the tank because jobs are leaving. Come to find out that he's made jobs — but not in Michigan, in China. In fact, he's cut jobs in Michigan. That is fair game. That's why the importance of those ads underscores — it's less about Alticor or Amway than it is about him.

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I'm the governor of Michigan. I'm not the governor of Alticor, and I'm not the governor of General Motors. If a Michigan company makes products in Michigan and exports them across the world, that's a good thing. If I go to other countries and bring international investment to Michigan and jobs for Michigan citizens, that's a good thing. If a Michigan company cuts jobs here in order to invest overseas, I think that's a bad thing for Michigan. It may be fine for General Motors, but it's bad for Michigan.

It's a separate issue than cutting jobs here and investing somewhere else. Those are kind of unrelated.

Granholt: If you're downsizing here and increasing (there), you're shifting company resources.

You're reacting to the market. You're not shifting.

Granholt: It's still a shift of resources, right? You're downsizing — the balloon squeezes down here, and it lifts up over there. For Michigan, as the governor of Michigan, that's not a good thing. We lose jobs.

But activities somewhere else are unrelated to that.

Granholt: And maybe they are in GM's case. But in the case of Alticor and Dick DeVos, it is — when you cut jobs here after you went on the record as being a jobs maker and you created jobs in China and not in Michigan like you've implied that you have, that's fair game.

Mr. DeVos, how might the women's vote affect this election, and why is it that your campaign advertising hasn't focused on issues that address women? You picked Ruth Johnson as your running mate, but beyond that we haven't seen a lot in terms of what your message is to women.

DeVos: You have seen a lot of what my message is to women because the issues we're facing right now in this state are not — the most pressing issues, they know no gender. And the issues are jobs and the opportunity to sustain and support ourselves in this state and very importantly the problem that we have with our young people who are leaving this state as a result of lack of opportunity here, getting oftentimes a very good education at wonderful colleges and universities and then they are gone. The impact on our families is very real. We're hearing a very clear message about families, about our children, about our future, and that message is being heard loud and clear as I talk to men and women across the state.

Mr. DeVos, do you also think that Michigan should graduate more people from higher ed?

You're talking about being on the wrong lists. One of the governor's agenda items is to increase the percentage of the population with some kind of post-high school certification.

DeVos: Ultimately I think that's a worthy goal, but right now we are in the process of educating students for jobs in every other state but our own. I applaud what the governor is saying, but we are



“Right now we are in the process of educating students for jobs in every other state but our own.”

funding our state institutions at substantial levels of resource for kids to be able to take those skills elsewhere.

To suggest that everybody should go to college is as wrong as suggesting no one should go to college. We need to have our young people being trained for what's required ahead. For many, and I think an increasing percentage, it's going to require at least four years of training, but not all. My greatest fear and concern relates to the K-12 system, not the higher-education system.

The Detroit dimension

Both of you have talked a lot about the importance of a revitalized Detroit to the region and to the state. What steps would you take to do this?

Granholt: The single most important thing that we can do is to have a light-rail transit system in Southeast Michigan. Now on top of that, you have to reduce the cost of living in the city of Detroit. I just came from a press conference announcing the cut on insurance rates for metro Detroit area residents who qualify. But you've got to continue to invest in revitalizing the city, bringing people downtown, making sure it's a dynamic city and all of that.

We have to look at models that have occurred in other cities. It's got to be a partnership with non-governmental organizations as well as the regional chamber. John Hertel has now left the State Fair and is going to be the (transit) czar. He and I have talked about this. Buses are important, but a clean, safe, efficient light-rail system in this region would have an enormous impact on the region and on the city. So you have to have the private sector involved. And whether it's the Ilitches, who have an interest in making sure we've got a rail system down to (Comerica Park), or the Fords or the Penske arm of things, I think that all of those great leaders who have a great investment in making sure that this region is transformed have to be a partner in making this happen too. I think Dan Gilbert could potentially be a partner.

DeVos: No. 1, it's got to be safety and security for the city. We have 1,500 less uniformed police officers

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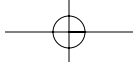
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Where Jennifer Granholm and Dick DeVos stand on business-related issues:



■ **Business-tax replacement for Michigan's single-business tax**

Tax should have a lower rate, broader base, be profit-sensitive and should not reduce state revenue.

Tax should have a broad base and be centered on business profits and gross receipts. Plan would include a business-tax cut, paid for in part out of \$800 million in government savings and program cuts.

■ **Personal-property tax relief**

State Treasurer Robert Kleine has floated the idea of a \$600 million to \$700 million personal-property tax cut applying to commercial and industrial personal property. The rate of any new overall business tax would need to be high enough to pay for the tax cut, thus no reduction in state revenue.

Reduce personal-property tax by an unspecified amount, paid for in part out of previously mentioned savings and program cuts, and economic growth in future years.

■ **Sales tax on services**

Opposed.

Opposed.

■ **Improving Michigan's health care system**

Proposed a Michigan First Health Care Plan to cover 1 million uninsured adults, who could access insurance plans offered through an "exchange" or administrator. Premium assistance would be provided based on income, and small businesses that do not offer insurance could purchase it from the exchange. Previous initiatives include a multistate compact to purchase prescription drugs in bulk, a prescription discount card, and appointing the state's first surgeon general, who has targeted healthy behavior and personal responsibility, to lower overall health care costs by reducing preventable conditions.

Provide incentives for colleges and universities to graduate more health care professionals. Give Michigan's small businesses more options for health care, by examining ways in which they could pool for insurance. Promote consumer-driven health care options like tax-free health savings accounts. Also open to looking at the idea of a state mechanism like the health insurance "exchange," matching individuals and businesses with affordable policies.

■ **Improving education**

Formed commission to find ways to double the number of college graduates in Michigan in 10 years and worked with state Board of Education and Legislature to create rigorous new high school core curriculum, for which she had called. Has proposed a new \$4,000 scholarship for all students in Michigan, available to students seeking to earn a two-year college degree, technical certification or a four-year degree.

Would start a merit-pay program to recognize outstanding teachers. Would target more funding for middle school math and science classes, and provide for alternative certifications that allow professionals in those fields to teach classes. College and university state funding would contain incentives to produce more math and science teachers. Would seek to require competition for public school health insurance.

■ **Diversifying Michigan's economy**

State's new 21st Century Jobs Fund will broaden the economy and spur innovation and technology, producing jobs and business growth. The fund contains \$1 billion authorized by the Legislature and is expected to grow to \$2 billion through leveraging other investments and resources. The money will go toward a host of programs, and targets the emerging sectors of alternative energy, life sciences, advanced manufacturing, homeland security and defense.

Would create a technology transfer center that would help universities commercialize research. Would recruit companies in emerging fields such as life sciences, alternative energy and manufacturing information technology, and improve access to venture capital for Michigan businesses.

■ **Small business/business assistance**

Has proposed a state-overseen 401(k) plan that would target small employers that do not offer pension coverage. Program is designed to alleviate administrative costs, requirements and ongoing duties that can deter businesses from setting up their own pension plans. Also has established partnership with Charter One Bank to offer \$200 million in loan funds at low interest rates to companies who create or expand Michigan jobs. Other steps include accelerating public-infrastructure projects, matching qualified workers with jobs and retraining others, cutting business-permitting time and putting permits online. Signed tax cuts aiding large and small businesses, including a \$600 million tax cut for manufacturers.

Would improve the effectiveness of one government office that brings together all relevant departments that an entrepreneur might need to start a business. Separately, would eliminate "burdensome paperwork" — such as filing to pay business tax — for new small businesses for one year. Would establish a small-business regulatory review commission to do a cost-benefit analysis of existing and proposed regulations. Wants incentives for research and development in the new business-tax replacement, and would exempt emerging technologies from personal-property tax. Would ask the federal government for a job-training block grant, under which Michigan could design programs. Proposes to eliminate state income tax for families at or below the poverty line.

■ **Would you support a right-to-work law, which would make it illegal to require workers to join labor unions as a condition of employment?**

No.

No.

■ **Michigan Civil Rights Initiative ballot proposal, which would ban affirmative action programs that give preferential treatment to groups or individuals based on race, gender, color, ethnicity or national origin, for public employment, education or contracting.**

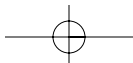
Opposed.

Opposed.

■ **"K-16" ballot proposal to require the state to provide annual funding increases equal to the rate of inflation for K-12 schools, intermediate school districts, community colleges and universities.**

Opposed because there is no guaranteed revenue stream to pay for the funding increases.

Opposed.



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on the street in Michigan today than we did five years ago, many of those cuts coming in these last number of years in our communities. That's going to drive business decisions to locate here. It's going to drive individual decisions to live here.

The second dimension is education in the city. We have lost the focus on what education is all about. We have gradually begun to view schools and education institutions as job providers and are beginning to have debates and discussions about job provisions as opposed to kids learning and our kids walking away with an education.

engineering and design, one of the few in the country where we represent truly a global center.

You've got the whole alternative-energy thing going on. Life sciences become a very exciting potential for us as we look at that. And the crossover there with manufacturing, medical-device manufacturing, medical-equipment manufacturing becomes a potential sweet spot.

Let's step beyond that and say if you like the lifestyle in Michigan, what if Michigan was the most attractive place for you to start your own business? One of the great histories and traditions in our state has been entrepreneurship. Our companies all over the state are testimony. My family story is testimony to entrepreneurship.

Brain drain — or gain?

What new opportunities might be there for recent college graduates in the next few years? What other things can get them excited about staying here?

Granholm: What excites me is alternative energy because I think that is the wave of the future and having Michigan be the state that leads the nation in finding a way to break our dependence on foreign oil. Ann Arbor got a huge number of these opportunities, and between Toyota and Hyundai and Google and all of these 21st century jobs, it just shows you the link between the universities and commercializing great ideas in the universities to create businesses.

But Ann Arbor got a number of grants related to alternative energy like fuel-cell development. There is such great work happening in nanotechnology. I would encourage them, first of all, to go to Michigan.org and look at the Web site to see what companies were funded that are going to come to Michigan and grow in Michigan.

We've planted the seeds. The green shoots are starting to come up. We're fertilizing them. You don't rip up the field in the middle of the season.

DeVos: I'm not going to sit here and say what those jobs are going to be because I don't think I can. What I would say to you is what can be the atmosphere you can look forward to if I'm elected. The atmosphere will be a different atmosphere. Google is a nice thing. Credit to everyone involved. Credit to the governor. A thousand jobs. I think it was 200 jobs over five years if they all come to fruition. That's against 29,000 lost (in August). This is a step in the right direction but a modest step.

I think we have opportunities for those who are interested in business and manufacturing. Alternative-fuel opportunities are beginning to be apparent, opportunities as we emerge in the automotive sector as the leading area for

Energy for the future

The Michigan Public Service Commission is overseeing the development of a long-range energy plan. What do you think is the biggest energy issue facing the state right now, and how would you address that?



“We should be the state that breaks the U.S.’ dependence on foreign oil or at least shows them how to do it.”

Granholm: One is the cost of energy, which contributes to difficulty doing business in a challenging economy. And the second is our push for renewable (energy) and how we can be a state that really does have a renewable portfolio standard that pushes us and challenges us so that we don't have to get oil in the Midwest. We get it from the Midwest.

In the past six months, we've had nine ethanol or biodiesel plants announce that they are coming or breaking ground or flip the switch to run in Michigan. I just signed into law a series of agricultural renaissance zones, which encourage renewable-fuel technology and supply. We build the engines. We've got this agricultural sector, and we've got these phenomenal universities doing research on the kinds of plants and client base that we can have for renewable energy. We should be the state that breaks the U.S.' dependence on foreign oil or at least shows them how to do it.

DeVos: Electric. Our costs of electricity by every dimension that I've looked at are high by any standard. Dow Corning made a decision to build a major plant here for their silicon production. Their decision was in spite of a massive cost uptake because of electrical cost. It's a very high electrical usage in that process. Now we were able to overcome that as a state, and they were able to overcome it because they had certain synergies with other operations that mitigated that negative. But if this particular company wasn't headquartered in Michigan and had already pre-existing synergies, there

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was no way on God's green Earth they'd be here.

I think we look at transmission. The immediate view is to say we have a shortage of electricity. We need more power generation, and we better go build another plant. There's capacity out there elsewhere in the system that we can utilize through line transmission to buy other power. We don't have to make it ourselves in this state to be able to have access to it. Every other state around us has lower cost. If they're producing, they will produce it cheaper in Ohio and are willing to sell it to us at a cheaper price, why in the world wouldn't we want to increase our transmission ability to access that?

Creating cool cities

Gov. Granholm, your Cool Cities plan has been both praised and criticized. What do you think is the single biggest difference that the initiative has made?

Granholm: It has been a mechanism for local communities to identify signature projects, working together with their community organizations that are business- and economic-development arms and leveraging private resources. All the people who criticized it are on the other side of the aisle. I'm not sure what the criticism is. All this program does is pool state resources that would be going on anyway but focusing them on signature projects that clearly demonstrate a value to that particular community, something that is going to create lofts, live-where-you-work arrangements that foster the arts. The community decides.

It has really breathed life into a lot of communities that might not have really realized their own power at the local level to develop and partner on a project that makes them unique or dynamic.

Mr. DeVos, why would you eliminate the Cool Cities program and what would you do in its place to help communities?

DeVos: The Cool Cities program is a \$4 million item that has created lots of smoke and no real action. This has not spurred significant numbers that I have heard of new initiatives. This has merely provided some funding for pre-existing initiatives. And I look at what we did in Grand Rapids by really getting a community involved in transforming a city. That's become a cool city, in my estimation. That was way before the Cool Cities program. I'm not convinced at all that it is necessary. I do think that we want to make our cities cool cities, that we want to and need to make our cities livable.

That goes back to safety and security. It's going to go back to costs of living. Our cities have become punitive. The cost of living in the city today too often not only includes an income tax but it includes property taxes that are punitive. And beyond that, you end up with the cost of education because too often families that want to live in the city decide they are not able to send their kids to school. So they often have the cost of education unless we get charter schools going in there.

Tapping into tourism

Gov. Granholm, Michigan's tourism businesses are pushing for a boost in the state's annual promotional spending — from \$5.7 million to \$30 million — without tax, fee or surcharge increases to pay for the higher budget. Do you support this idea? If not, should tourism get more promotion dollars? How?

Granholm: I certainly support increasing the marketing budget for Michigan. Because they could not get a consensus inside of the

tourism industry about where a dedicated stream of funding would come from, we went to the 21st Century Jobs Fund to be able to do it. That's \$15 million, which is a significant increase, and \$40 million for marketing for business, which is tremendous. One way or the other, we have to continue to increase the investment in telling our story about tourism because we have such phenomenal, unique features in this state that other states don't even know about.

What would you do in your next four years to increase funding for tourism?

Granholm: We're going to contin-

ue to clearly invest through the 21st Century Fund — and we've tripled the amount of money that we are investing. But it probably needs to be somewhere along the lines of what Illinois has done (\$40 million or \$50 million on marketing). And I think we need to do a better job, for example, of advertising in Southern states, where, especially in the summertime, they're looking for places to go. A lot of the snowbirds of Michigan travel to Florida. Why not advertise in Florida for those Floridians to come to Michigan and enjoy a great summer?

DeVos: I do support focus on our tourism industry, but one of the things I have said is we need to do a better job of promotion. We've

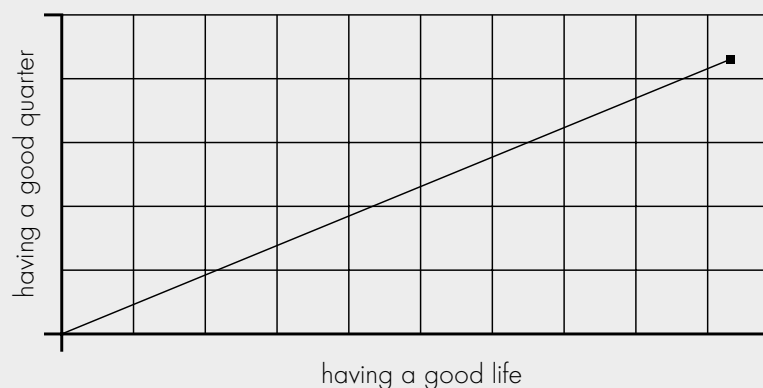
been extremely low, on average, in this state, and we've forgotten a fundamental principle of business: You don't build the brand only advertising in election years. We've let it kind of go, and now all of a sudden, boom, we're throwing all sorts of money at it coincidentally in an election year. What's next?

I'm not going to sit here and pick a number. I think we do need to increase the amount of state promotion that we're doing. It is an important industry, and it has a payback to us that is clear and that we need to be advocating more consistently and more actively to build a Michigan brand beyond just over promoting in the (election) years.



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Proposal 5: K-16 funding

The proposed law would increase current funding by approximately \$565 million and require the state to provide annual funding increases equal to the rate of inflation for public schools, intermediate school districts, community colleges, and higher education. The law would require the state to fund any deficiencies from the general fund;

base funding for school districts with declining enrollment on a three-year student enrollment average; reduce and cap retirement fund contributions paid by schools and shift the remaining portion to the state; reduce the funding gap between school districts receiving the basic allowance and the maximum allowance.

Pro: Crucial for economy

By Marshall Campbell

A serious problem facing Michigan today is identifying a long-term strategy that will improve the economy of our state. Business experts universally agree one of the most effective tools we can employ to correct our economic problems is to properly invest in our educational systems. Quality schools will produce a competitive workforce for Michigan's future.

Voting for the Educational Funding Guarantee, also known as the K-16 proposal, offers a real opportunity to turn Michigan's economy around by significantly investing in the quality of our educational systems.

State support for Michigan's public universities has been cut by hundreds of millions of dollars over the past few years, and our K-12 schools are continually forced to cut basic programs. The deterioration of funding is threatening the viability of Michigan's entire K-16 public educational system.

We are all aware the days of walking out of high school and finding a good job in Michigan's auto plants are over. We are competing for good jobs in a world economy. Investing in public education now to secure a brighter economic future for Michigan is good public policy.

Microsoft CEO Bill Gates recently told the National Council of State Legislatures that a vibrant K-16 education system is the key to attracting businesses to a state, and that a better education means higher earnings and the creation of more high-paying jobs. CEOs further agree the presence of a quality K-16 public educational system is the most important factor in the survival of manufacturers in Michigan.

Employers looking to locate or expand businesses in Michigan want to know they will have access to a well-educated and talented labor force. The people of Michigan deserve a workforce that is prepared to face tomorrow's challenges and create opportunities for economic growth and prosperity.

A yes vote in November is a critical economic decision and a major step forward in supporting business and economic development.



Marshall Campbell is president of Citizens First Bancorp in Port Huron.

Con: Plan is irresponsible

By Jim Barrett

Proponents of the Educational Funding Guarantee, also known as the K-16 proposal — led by the Michigan Education Association, the Michigan Federation of Teachers and other public education-related organizations — say their plan is “for education.” The Coalition to Stop the K-16 Spending Mandate, an alliance of more than 57 taxpayer, local government, law enforcement, health care and human-service organizations — all of whom support adequate funding for education — disagrees.

Let's be clear. The proposal, which provides for automatic, annual, inflationary increases in school funding, is not about education quality. Nowhere in the 974-word proposal is there any mention of education improvement, student achievement or higher standards. More than two-thirds of the funding is earmarked for teacher's pensions.

The proposal gives Michigan's public-education establishment the ability to circumvent the legislative and appropriations process and have their funding put on autopilot with no accountability to taxpayers, the Legislature or governor. That's irresponsible and bad public policy.

The K-16 proposal is costly, too. The nonpartisan Senate Fiscal Agency has estimated that, if passed, it will cost the state at least \$565 million more per year to fund. That's beyond the education budgets our Legislature and governor just approved for fiscal year 2006-2007. And each year, inflation-based increases would be given to public education regardless of performance.

Passage will result in only two options: cuts to other critical services, such as police and fire protection, or tax increases, or both.

Supporters of the K-16 proposal claim the Legislature could simply change the automatic funding increases, if necessary. What they don't tell you, however, is that such an effort would require a three-quarter vote in both houses — a challenging feat.

Adequate education funding is important. Unfortunately, the proposal is irresponsible. Voters should reject this money grab by education unions and administrators.



Jim Barrett is president and CEO of the Michigan Chamber of Commerce.

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Proposal 2: Affirmative Action

This proposal would amend the state constitution to ban public institutions from using affirmative action programs that give preferential treatment to groups or individuals based on their race, gender, color, ethnicity or national origin for public employment, education or contracting purposes. Also would prohibit public institutions from discriminating against groups or individuals due to their gender, ethnicity, race, color or national origin.

Pro: Rewards the best

By Michael Smith

The reason I am voting yes on the Michigan Civil Rights Initiative is simple: It reflects the American dream and reaffirms a commitment to the values in the 1964 Civil Rights Act. Everyone should have an equal opportunity in business and the most qualified individuals will succeed regardless of their race or skin color. Michiganders should demand fairness and equality in state hiring, employment and contracting.

Business is about productivity, innovation and competition for capital and consumers. For a company to be competitive and to survive, employees must be qualified and capable. Companies should not be forced to sacrifice productivity to meet hiring quotas.

For too long, in order to secure government contracts, private companies have been forced to comply with some bureaucrat's idea of the preferred physical attributes. Instead of commissioning the lowest bidder, our government relies on physical traits including race, gender, national origin and skin color when making hiring decisions. This is wrong. In America everyone deserves an equal opportunity.

Our government has been corrupted by an effort to achieve arbitrary racial quotas. U.S. businesses have been successful rewarding hard-working innovators, not by commissioning contractors that look a certain way.

Opponents of the proposal make absurd claims about the consequences of treating people equally before the law. They claim that equal opportunity will decrease Michigan's global market competitiveness. How can employing the best applicants, acquiring the best contracts and ensuring the very best college graduates hurt Michigan businesses?

Passing the Michigan Civil Rights Initiative will vastly improve our state. In California, a nearly identical initiative passed in 1996. The taxpayer savings in public contracting is as much as 6 percent. Michigan can benefit from greater efficiency and savings. The time has come to judge people by the content of their character, not the color of their skin. Achievement and responsibility are at the heart of business. The same philosophy should be reflected in our government.



Michael Smith is owner of Smith Recruiting in West Bloomfield Township.

Con: Would close doors for many

By Paul Hillegonds

Michigan this fall will decide whether it wants to continue to have doors open to opportunity for women and people of color, or roll back the progress we have made in addressing discrimination.

The Michigan Civil Rights Initiative, an amendment to our state's constitution, would immediately eliminate affirmative-action policies in state and local governments, banning use of the best tool we have in achieving equal opportunity.

Businesses have embraced affirmative action, recognizing the importance of having a diverse workforce to compete in today's marketplace. Business leaders often ask that government run like a business. But now Ward Connerly, a Californian, proposes to prohibit government from using the tools businesses use to respond to market needs.

Proposal 2 is just too extreme, rolling back the positive steps Michigan has made in addressing the inequities faced by women and people of color. The amendment would eliminate high school programs aimed at girls and minorities that encourage them to enter math and science careers. It would prohibit the creation of housing and lending programs to en-

sure women and minorities are treated fairly when buying homes and applying for loans. In California, lawsuits were filed to end state funding for battered women shelters and breast, prostate and cervical cancer screenings after a similar law was passed.

Republicans Dick DeVos and Michael Bouchard, along with Gov. Jennifer Granholm and U.S. Sen. Debbie Stabenow all oppose the amendment. They are joined by a coalition of more than 200 organizations, including the Detroit Regional Chamber, American Arab Chamber of Commerce, Michigan Hispanic Chamber of Commerce, Detroit Renaissance Inc., Booker T. Washington Business Association, National Association of Women Business Owners. Also opposing the amendment are chambers of commerce in Grand Rapids, Lansing and Holland, as well as labor organizations and religious leaders such as Cardinal Adam Maida and Rev. Wendell Anthony.

We all believe Michigan should continue to move forward and not roll back progress, and will be voting no on this proposal.

Paul Hillegonds is senior vice president of corporate affairs and communications at DTE Energy Co. in Detroit. Hillegonds is steering committee co-chair of One United Michigan.



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Proposal 4: Eminent domain

The amendment would prohibit government from taking private property for transfer to another private individual or business for purposes of economic development or increasing tax revenue. Provides that if an individual's principal residence is taken by government for public use, the individual must be paid at least 125% of property's fair

market value. Requires government that takes a private property to demonstrate that the taking is for a public use; if taken to eliminate blight, requires a higher standard of proof to demonstrate that the taking of that property is for a public use. Preserves existing rights of property owners.

Pro: Protects property from government

By Bill Nabers

This Election Day, Michigan voters will have the opportunity to enshrine in the state's constitution rights that will protect families from having their property taken and turned over to a private developer to make a buck.

The eminent domain proposal restores home owners' rights by amending the Michigan Constitution to prohibit local and state government from citing the benefits of so called "economic development" or increasing tax revenue as the justification for using eminent domain to take someone's home or property.

The proposal also requires any government that takes a person's home for a public use such as a road or school must pay the property owner 125 percent of fair-market value and requires a higher standard of proof to declare a property as "blighted."

The U.S. Supreme Court said government may use eminent domain to force a property owner to sell his or her home so it can be turned over to a developer.

We are not talking about taking your property to build a road or a school; we're talking about kicking Grandma and Grandpa out so someone can put in a strip mall.

Only a change in the Michigan Constitution will protect the rights of property owners and make sure that government does not abuse the power of eminent domain.

Unfortunately, it is the poor and elderly who are disproportionately affected by eminent domain.

They lack the resources to challenge such determinations and they are more likely to live in areas being considered for new development.

This proposal will protect them — and all of us — from being forced from our homes, and it will set strong but sensible restrictions on how and when government may use eminent domain.

Con: Owners are already protected

By James Lancaster

A perception has been created that Michigan municipalities arbitrarily and irresponsibly take property through condemnation and give it to private developers.

I have been practicing in this area for more than 15 years and can tell you this is not true.

Voters in November will be asked to approve a constitutional amendment on eminent domain to address a problem that does not exist: the indiscriminate taking of property by government for economic-development purposes.

This proposed amendment is part of a national movement reacting to a recent U.S. Supreme Court decision, *Kelo v. New London*, in which the court upheld the right of states to take property for economic-development purposes.

Although this decision was reported in the popular press as being a landmark, it was nothing more than a reaffirmation of what the law had been already.

Nevertheless, two years earlier, the Michigan Supreme Court had concluded that under Michigan law, government has more limited condemnation powers — a decision squarely on the side of property-rights advocates. *Kelo* acknowledged the validity of this decision.

Vote for this proposal only if you want to further tie the hands of local governments when it comes to redevelopment.

This amendment would prohibit any condemnation for economic-development purposes.

It would also make it more difficult to eliminate blight by requiring the government to prove the existence of blight by "clear and convincing" evidence.

Economic development in this state is difficult enough.

Local governments already face numerous roadblocks that safeguard property-owners' rights.

This proposal would further hurt the ability of state and local governments to redevelop property, particularly in our urban core communities.

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