



# Michigan's Path to a Prosperous Future: Challenges and Opportunities

## Executive Summary

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May 2023



## About the Series

Altarum and the Citizens Research Council of Michigan joined forces to present a realistic, data-informed vision of Michigan's future based on current trends and trajectories across multiple dimensions – demographic, economic, workforce, infrastructure, environment, and public services. This paper summarizes a five-part series of papers that will be available on both organizations' websites.

Research for this project was conducted in two phases. Phase I involved a landscape scan of existing resources and expert knowledge of trends and challenges. For each domain, published and grey literature were reviewed and interviews with stakeholders were conducted to answer questions such as:

- **Where is Michigan now – strengths, weaknesses, major challenges?**
- **What data is available to characterize the current situation and to track progress? Are there existing forecasts, either descriptive or data-driven?**
- **How does Michigan compare to other states, especially in the Midwest?**
- **What path are we on currently, and where are opportunities to shift the path through policies and investment?**

Phase 2, as represented in this summary and the papers in the series, built on Phase 1 to include data and context.

Ani Turner, Corwin Rhyen, Beth Beaudin-Seiler, and Samuel Obbin were principal contributors to the project from Altarum (3520 Green Court, Suite 300, Ann Arbor, MI 48105. (734) 302.4600 [altarum.org](http://altarum.org)), a nonprofit organization focused on improving the health of individuals with fewer financial resources and populations disenfranchised by the health care system. Eric Lupher, Robert Schneider, Eric Paul Dennis were principal contributors from the Citizens Research Council (38777 Six Mile Road, Suite 208, Livonia, MI 48152. (734) 542.8001 [crcmich.org](http://crcmich.org)), a not-for-profit organization that works to improve government in Michigan by providing factual, unbiased, independent information concerning significant issues of state and local government organization, policy, and finance.

The project was funded by Charles Stewart Mott Foundation, The Kresge Foundation, Ralph C. Wilson, Jr. Foundation, Hudson-Webber Foundation, Grand Rapids Community Foundation, W.K. Kellogg Foundation, Max M. and Marjorie S. Fisher Foundation, Michigan Health Endowment Fund, The Joyce Foundation, The Skillman Foundation, and the Ballmer Group.



# Michigan's Path to a Prosperous Future: Challenges and Opportunities

Michigan is at a crossroads. For many years, the state grew and prospered as a world leader in innovation and twentieth century manufacturing. People migrated to the state from across the nation and the world in search of economic opportunity. As the “birthplace of the middle class,” Michigan workers earned wages that afforded them the opportunity to own homes, cars, and recreational amenities, and to offer futures for their children that would be better than their own.

**However, for the past five decades, Michigan has been losing ground. Michigan has fallen behind other states in population growth, jobs, earnings, health, educational achievement, and the quality of public services at the state and local levels.** Too few interstate immigrants target Michigan as a destination, international immigration has fallen, and too many young Michigan residents are leaving.

**Absent policy changes and investments, Michigan's current path will lead to a shrinking population and continuing declines in the state's competitiveness and quality of life.** But there is real opportunity to change this future with policies that retain young residents and attract domestic and international immigrants to Michigan. Today's state and local political, business, community, and foundation leaders can restore Michigan's status as an economic engine and destination through sustained and coordinated investments in the state and its people.

Good ideas already exist in government, philanthropy, the private sector, and communities around the state. However, for far too long, the political divisiveness that has plagued public discourse has either kept these ideas from being implemented or caused efforts to be abandoned as political winds shift. Stakeholders, regions, and political parties must come together to support quality of life and economic opportunity for Michiganders today and tomorrow.

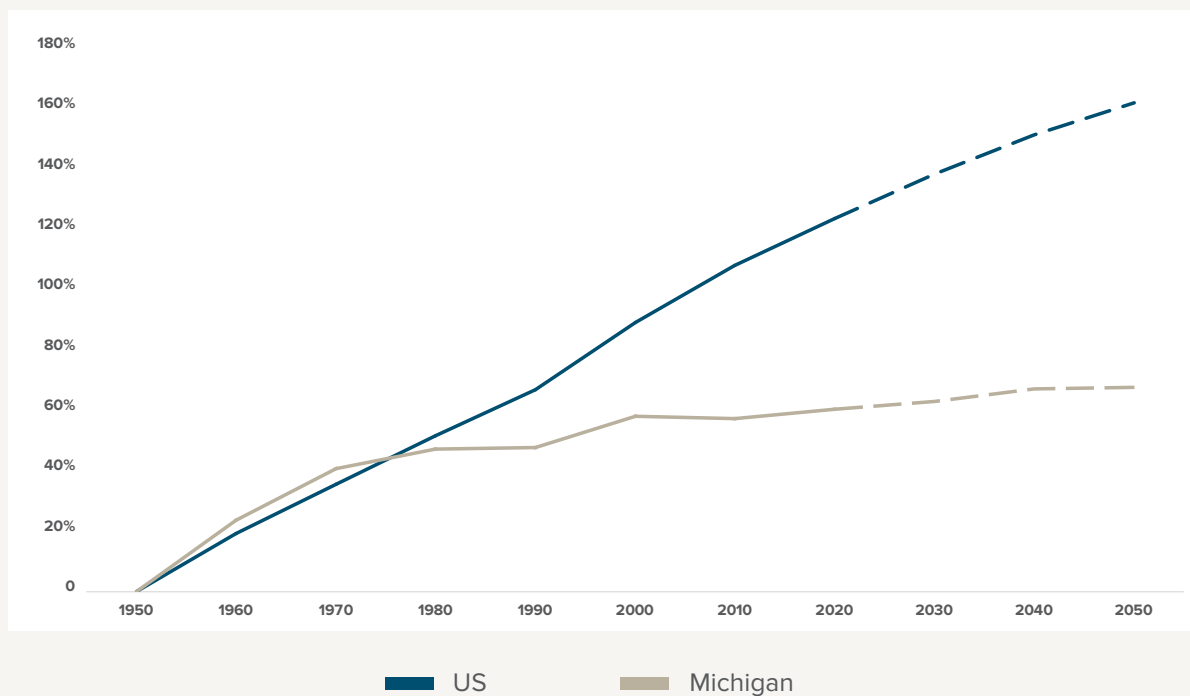


# Michigan's Stagnant Population Growth

**For the past five decades, Michigan's population growth has been slow, and the state has been losing ground to the rest of the country.** This gap is projected to widen as Michigan's population begins to decline in a generation, creating challenges in maintaining the state's workforce, customer base, and government tax bases.

Until the 1970s, Michigan was the seventh most populous state in the U.S. and its population was growing as fast or faster than the rest of the country. From the 1970s onward, however, Michigan's population grew at a much slower rate (0.3 percent annualized rate) than it had in earlier decades (2.8 percent annualized growth in the five previous decades) and more slowly than the U.S. overall (1.3 percent annualized rate) (Chart 1).

**Chart 1: Cumulative Percent Change in U.S. and Michigan Populations, 1950 to 2050**  
Michigan's population growth continues to lag the national average



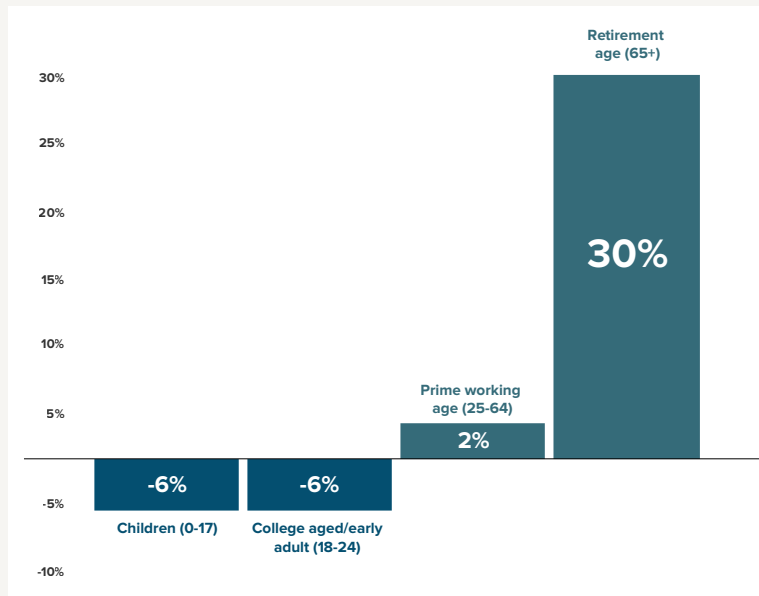
Source: U.S. Bureau of the Census and Jacob T. Burton, Gabriel M. Ehrlich, Donald R. Grimes, Kyle W. Henson, Daniil Manaenkov, and Michael R. McWilliams, University of Michigan, Research Seminar in Quantitative Economics, *The Economic and Demographic Outlook for Michigan Through 2050*, July 29, 2022.

Slowing population growth resulted in a decline in political influence as the state lost seats in the U.S. House of Representatives every decade of the past 50 years. From a high of 19 House seats in 1970, Michigan's representation has fallen to 13 House seats after the 2020 reapportionment. If current trends continue, representation will continue to fall as Michigan's population is projected to grow at about one-third the national rate over the next 30 years.

Population growth can come internally from the existing population or externally from movement into the state. Michigan is facing projected declines on both fronts.

**Internal growth is hampered by Michigan's aging population (Chart 2). Michigan is already an older than average state and is getting older.**

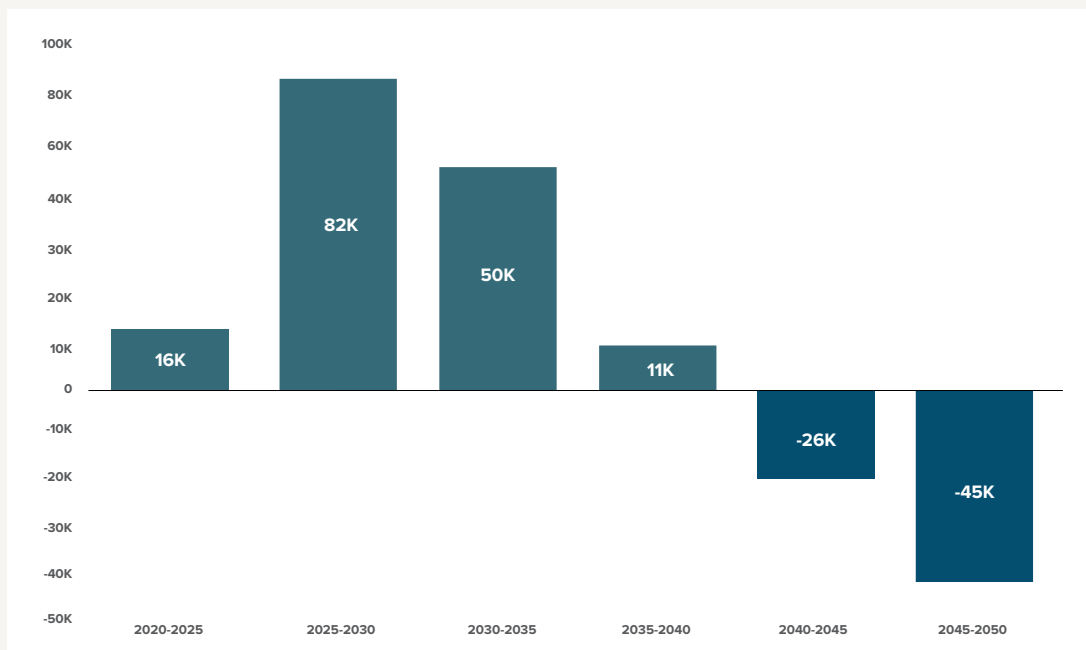
**Chart 2: Projection of Population Change by Age Group, 2020 to 2050**  
Michigan's population is aging



Source: Altarum analysis of projections by the University of Michigan Research Seminar in Quantitative Economics in *The Economic and Demographic Outlook for Michigan Through 2050*.

With fewer adults in their childbearing ages, the rate of natural growth (births minus deaths) has slowed and will become negative by 2040 (Chart 3).

**Chart 3: Components of Michigan Population Change – Natural Increase (Births minus Deaths)**  
By 2040, on the current trajectory, there will be more deaths than births

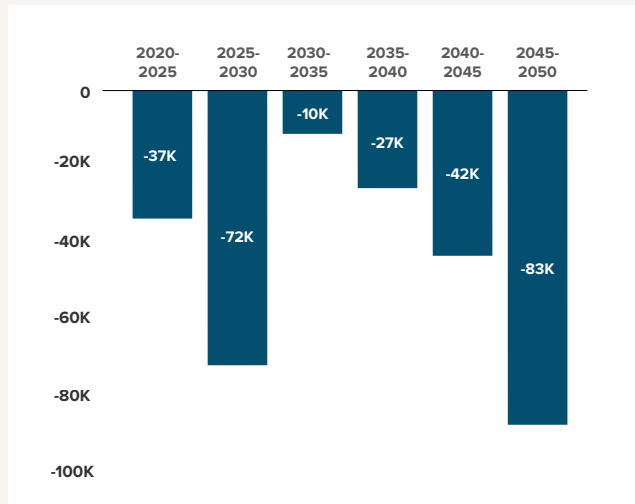


Source: Altarum analysis of projections by the University of Michigan, Research Seminar in Quantitative Economics in *The Economic and Demographic Outlook for Michigan Through 2050*.

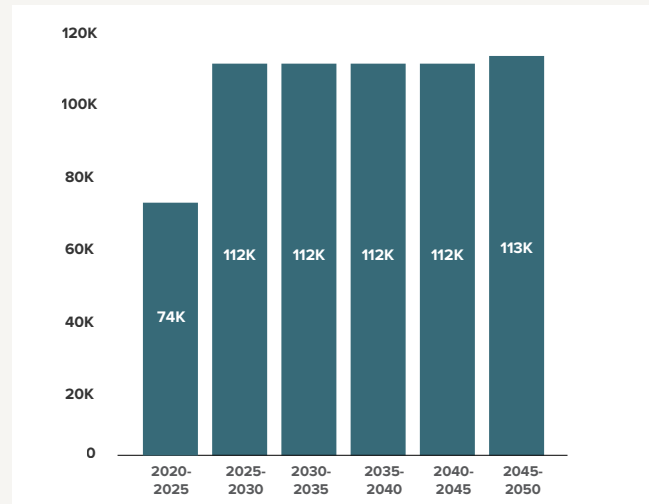
With more people moving to other states than are moving into Michigan, net domestic migration has been negative and is projected to remain negative in the coming decades (Chart 4). International migration has been positive, and is projected to remain so (Chart 5), but Michigan’s attraction of international immigrants is not proportional to its share of the national population and is not on a pace to make up for an aging base population and domestic outmigration. By the mid-2040s, even with a return to pre-pandemic levels of international immigration, the state population will begin to decline.

**Chart 4: Components of Michigan Population Change – Domestic and International Immigration**  
Net migration to Michigan is not on pace to offset an aging base population

#### Domestic Migration



#### International Migration



*Source: Jacob T. Burton, Gabriel M. Ehrlich, Donald R. Grimes, Kyle W. Henson, Daniil Manaenkov, and Michael R. McWilliams, University of Michigan, Research Seminar in Quantitative Economics, The Economic and Demographic Outlook for Michigan Through 2050, July 29, 2022.*

**Another important demographic trend is the increasing racial and ethnic diversity of the state. All of the projected growth in Michigan’s population is projected to come from people of color, who will represent 40 percent of the working age population by 2050.** A disproportionately high segment of this population historically suffer from poorer health, poorer educational outcomes, and less access to wealth-generating investment opportunities, pointing to the importance of focused efforts to help reduce these disparities.

There is time to address these challenges with effective policy. In a mobile country of more than 330 million people, with more than seven million people moving from state to state each year and more than one million international immigrants, there is real opportunity for Michigan to grow its population. For instance, Michigan can position itself to attract “climigrants” seeking refuge from climate change and remote workers who can choose where they live.



# Opportunities for Bold and Broad Action

Michigan's challenges can be addressed through policies and investments that will keep people in Michigan, attract new people to the state, and invest in all Michiganders. To achieve these goals:



**Refocus on the opportunities and well-being of Michiganders, to improve health, educational achievement and job readiness.**



**Invest in the public services and natural resources that make Michigan a place where people want to live.**



**Attract new people from around the country and world.**

Investment in public services and the state's abundant natural resources can improve the lives of current residents, increase retention, and draw new residents. Investments to improve the health, educational achievement, and job readiness of Michiganders can increase workforce participation and attract employers to the state. Employment opportunities in turn support retaining the current population and attracting new people.

Economic development for the past three decades primarily has been focused on job creation and tax competitiveness strategies that suppose all employment opportunities pay living wages and people and businesses will come to Michigan if taxes are sufficiently low. While these strategies have yielded some success, the lack of investment in placemaking and in people has resulted in challenges:

- Some of the worst road conditions in the nation
- The contamination of water distribution lines in cities such as Flint and Benton Harbor that led to lead poisoning of vulnerable young children
- The dam collapse north of Midland
- Untended pollution that has marred the environment
- Sluggish wage growth in key sectors like the auto industry
- Workforce development efforts that have not produced or retained sufficient professionals in a number of fields
- An erosion of the education system that is not preparing sufficient numbers of young people to be productive members of society in their adult lives
- A state population that is in poorer health than most other states.

Clearly tax competitiveness matters, but so does providing a quality of place and an investment in people to make young Michigan residents want to stay and attract young people from other states and other nations. These are not new ideas. Civic leaders, policy experts, concerned citizens, and others have been raising awareness of many of these issues for years. Previous governors have directed the formulation of plans. However, the reality is that political control of Michigan's executive branch changes roughly every eight years, resulting in the strategic plans of one administration often being abandoned by the next. An effective strategic planning approach this time will necessitate working across party lines and for the long run.

# Invest in People

In the early twentieth century, Michigan's economic vitality was fueled by the birth of the automotive industry. A thriving middle class enabled workers with little formal education to gain employment at a wage sufficient to support a family and a comfortable living standard. Michigan became one of the most prosperous states in the country and, in fact, among the most prosperous places in the world.

However, new challenges arose in the latter half of the twentieth century that strained Michigan's economic vitality. The globalization of the world economy – driven by the same technological innovations that helped bring Michigan's prosperity – allowed manufacturers access to cheaper labor both in other regions of the United States and in other countries.



## Economy

Michigan's economy has recovered since the “lost decade” between 2000 and 2010, but still lags the U.S. average on a variety of measures of wealth and prosperity. Michigan now falls in the bottom third of all states for measures such as per capita personal income and median household income. Michigan also ranks behind nine of the ten neighboring Midwest states on these measures.

Segments of Michigan's population are disproportionately affected by poverty and low educational attainment; these residents are also more likely to live in areas with low-performing schools. Economic opportunity is not equitably shared across all residents in several important ways, and Michigan is relatively weaker in this regard than the country as a whole. Michigan residents experience greater income disparity than the nation as a whole across racial, ethnic, and geographic lines. Also, a greater share of Michigan's Black, Native American and Hispanic/Latino populations live with incomes below the federal poverty level.



## Workforce

Michigan's employment structure is changing. Manufacturing makes up a much smaller share of the employment mix, while the share of jobs in health care and professional and business services has grown. This shift resulted in slower income growth in Michigan as manufacturing has traditionally been a high-wage sector. The jobs of the future require more education.

Despite the significant employment declines, Michigan's historical dominance in automotive manufacturing has created a concentration of workforce talent that should assist the state in navigating the rapid transition occurring in the automotive industry. Significantly, Michigan has a clear advantage over other states in the concentration of individuals in engineering-related occupations.

New business formation is another strength of the Michigan economy. While most jobs are tied to older, established firms, new business establishments were responsible for all the state's employment growth in 2020. However, business formation is not evenly distributed across gender, racial, and ethnic groups. There is an opportunity to spur economic growth by reducing barriers for women and racial/ethnic minorities in achieving business ownership.





## Talent

Michigan's under-achieving K-12 school system and low percentage of working age adults with higher education degrees hampers the state's economic potential.

Before Michigan can make substantial progress in improving college degree attainment, the state will first need to foster significant improvements in its K-12 education system. Michigan students score significantly below national averages on standardized educational assessments, suggesting that Michigan's K-12 school system is struggling to make its pupils both college- and career-ready.

This is significant because, as the workplace has become increasingly dependent on both technical skills and soft skills (reasoning, emotional intelligence, creativity), the highest-paying jobs are now largely limited to those with skills obtained through postsecondary education in some form. Michigan, however, ranks below national averages in terms of the percentage of the state's working age population with a college degree.



## Health

Michigan's population is in poorer-than-average health, ranking 39th on overall health outcomes, affecting Michigan residents' quality of life and the quality of the state's workforce.

Health outcomes are driven by a wide variety of inputs, including access to and affordability of health care services, public health policies and funding, population and demographic trends, individual behaviors, and broader life outcomes and circumstances in domains such as education, housing, transportation, and access to other social assistance.

Prior to the 2008 Great Recession and the significant economic and population disruptions seen in Michigan, the health of the state looked more similar to national and regional comparators. However, over the past 15 years, the health of Michigan residents has deteriorated relative to the rest of the country. Michigan now ranks in the bottom half of states on many aggregate measures of health such as life expectancy, disease prevalence, and numbers of days experiencing poor physical or mental health. There are also significant disparities in health by race and ethnicity, socioeconomic status, and geography. For example, life expectancy ranges from 82.3 years in Leelanau County to 74.3 years in Wayne and Clare counties.

While the state has many advantages in the traditional health care sector, including high rates of health insurance access, low average health spending, and greater than average physician supply, health care access and affordability remain barriers in many parts of the state and for some groups more than others. For example, nearly 10 percent of Blacks and 15 percent of Latino Michiganders did not see a physician due to cost, compared to about 6 percent of White Michiganders. The health of Michigan residents is also negatively impacted by a relative lack of investment in public health, (Michigan ranks 40th in per capita public health spending), higher rates of some unhealthy behaviors such as smoking, and challenges in the social and environmental factors that drive health. Like much of the country, maternal and child health, behavioral health, and the needs of an aging population pose particular challenges.

# Invest in Place

Surrounded by the Great Lakes, Michigan is a beautiful state with much to offer. With a moderate climate, the state offers opportunities for sustenance (as water becomes scarce in the South and West), manufacturing, and recreation. But the failure to maintain the infrastructure and environment has created unnecessary costs and detracts from all the state has to offer.



## Infrastructure

Michigan's water, transportation, energy, and telecommunications infrastructures have all suffered from insufficient resources and development policies that stretched the use of existing resources. Because of urban sprawl, Michigan has abandoned existing infrastructure while it struggles to add new infrastructure in the far-reaching areas of the urban regions. Residents and businesses are taxed to build new roads and water and sewer lines, while struggling to maintain existing infrastructure in the inner core communities. And, a failure to harden or underground the electricity distribution grid will likely create the continuing need to patch the system as the year-round threat of severe weather conditions poses the ongoing threat of disruption and failure.

State and local government funding will be needed to adequately leverage new federal funding but putting good money into flawed systems will likely result in the same inadequate results. For example, water and sewer management occurs at the most local levels to ensure citizen control, but in doing so Michigan has many communities with inadequate resources to properly maintain their systems.



## Environment

Attention to environmental policy to protect and restore natural resources could improve the health and wellbeing of Michiganders, as well as attracting new residents, visitors, and investments. Over time, state policy has devolved into an approach that requires polluters to do the bare minimum to remediate the contamination they create. Policies such as this fail to recognize the interconnected nature of Michigan's infrastructure, environment, and the climate.

The interconnectedness of infrastructure, environment, and the climate heightens the significance that Michigan's polluted places are often near population centers. More precisely, it is often minority and low-income populations that have most often been exposed to threats to their well-being because of lax environmental laws. Tainted soils, air pollution, and contaminated waters create extraordinary costs and health consequences for residents nearby.



## Climate

Climate change poses a potential threat to the wellbeing of Michigan residents, but also is an opportunity for growth.

Climate change is likely to lead to more severe weather events in Michigan. Climate change is leading to unsteady weather patterns with the jet stream dipping unusually far north or south, exposing Michigan residents to freezing temperatures during a “polar vortex” in some years and unusually mild winters with minimal freezing of the Great Lakes in other years. Rising waters in the Great Lakes threaten coastal communities and extreme rain falls have flooded metropolitan Detroit streets and basements.

Climate change may also offer opportunities for Michigan. With longer periods of extreme heat and more frequent flooding, hurricanes, and other severe weather events, some parts of the country, especially in the South and along coastlines, may become less hospitable. Families may seek milder and safer environments, such as those offered in Michigan and other Midwestern states.

## Roles of State and Local Government

A healthy, functioning government sector is the common thread in investing in the people to drive the economy and creating places where people want to live. The public goods provided by the state and local governments provide opportunities for private sector businesses to succeed.

Efforts to be competitive on taxes have caused Michigan’s state and local governments to make difficult decisions, often reducing funding for key services. For example, the full-time state workforce was decreased by more than 22 percent from 2000 to 2011. Staffing levels remain low, affecting the quality of services provided by the state.



## State Government

The state’s role in funding services and infrastructure continues to suffer from the budget cutting that took place in the first decade of this century.

During the first decade of the new century, Michigan endured what many refer to as a “single state recession,” with persistent declines in employment at a time when the national economy was growing. The start of the Great Recession in 2007 made the situation worse. This had a huge negative impact on state revenue, particularly on Michigan’s discretionary General Fund/General Purpose (GF/GP) revenue, which is the focus of much of the state’s annual budget deliberations.

Between Fiscal Year (FY)2000 and FY2010, GF/GP revenue declined by \$3 billion, a 27 percent reduction. While revenue growth has been relatively strong since that trough, it has still not recovered on an inflation-adjusted basis.

The state currently is benefiting from a COVID surge resulting from federal funding, federal stimulus to businesses and individuals, and a healthy economy, but still state General Fund revenues lag earlier periods. Adjusted for inflation, FY2024 revenue is expected to be down by more than 22 percent from FY2000 (Chart 5).

### Chart 5: Michigan General Fund/General Purpose Revenue History, FY2000 to FY2024 (estimated)

Adjusted for inflation, Michigan's FY2024 revenue is expected to be 22% less than revenue from FY2000



Source: Citizen's Research Council calculations from Senate Fiscal Agency data.

This revenue decline forced state policymakers to make difficult decisions within the state budget. Large budget reductions were implemented across all of state government and the full-time state workforce declined by more than 22 percent between FY2000 and FY2011. Few areas of the budget were spared from reductions, resulting in the sufficiency and quality of many state services declining. Budget reductions were particularly severe in the state's safety net for low-income individuals, support for higher education, and support of local government.

Michigan is a relatively low tax state, with the fifth lowest state and local tax burden of all states. The state generated \$35.8 billion in state tax revenue in Fiscal Year 2021; that was equivalent to 6.4 percent of all Michigan personal income. Three decades earlier, the same percentage in Fiscal Year 1991 was 6.5 percent; so the state's effective tax rate has fallen slightly over the last 30 years.

That's particularly notable given that state tax revenues are used to fund more services today than they were 30 years ago. Since 1994, the state has played the lead role in school funding. This shift initially pushed up the state government's tax burden, but tax policy changes since that time – including reductions to the state's income tax rate and reforms to state's business taxes – have gradually reduced the burden to below its pre-1994 level.



## Local Government

More so than state government, local governments are on the front line of providing a sense of quality place, including managing and maintaining local roads, public safety, education, and recreational resources. Yet Michigan's system of local government finance does not provide the resources needed to afford quality of life services that will retain and attract people.

Local governments are dependent on the economic and financial health of the state. This can be a challenge for local governments as Michigan is operating without a long-term economic plan or strategic direction.

Michigan's local government finance system taxes and provides services at the most local level, even though economies are regional in nature. While people and businesses often act and think regionally, local governments are defined by the dotted lines on a map and lack the incentive to think beyond their boundaries.

Local governments prosper in Michigan's property tax system when population growth and development occur. In the absence of meaningful growth, the system creates incentives for urban sprawl, which further strains scarce resources.

The lack of growth has placed heavier burdens on low-income and minority communities by leaving low-property value communities without any recourse other than continually raising property tax rates to fund services. It creates a cycle where those with the means to leave for other lower-tax communities do so, and those that are left behind must pay even higher taxes to fund basic services.

The system also incentivizes behavior that is focused on a local unit's immediate needs and does not benefit communities, regions, or the state. These behaviors include increasing property tax rates, expanding development and urban sprawl, and discouraging collaboration among local governments in revenues, governance, and service provision. In fact, Michigan's local finance and governance system can often pit local governments against each other rather than incentivize them to work together for the good of the region and the state.

For the local governments to better succeed, the local finance system needs to be revamped to include diverse revenue sources that better reflect local economies, and to support a more regional focus in revenue collection, service provision, and general governance.

## Conclusion

Michigan's challenges are not insurmountable, but they do call for bold and broad action. To retake its place as one of the best states to live and work, government, philanthropy, and the private sector must come together to invest in Michiganders, invest in the services and natural resources of our state, and work to attract new people from around the country and the world.

The full papers on these topics are available at [crcmich.org](http://crcmich.org) and [altarum.org](http://altarum.org).