

SUBSTITUTE FOR
HOUSE BILL NO. 5786

A bill to make appropriations for the Michigan strategic fund and certain other state purposes for the fiscal year ending September 30, 2007; to provide for the expenditure of the appropriations; to provide certain conditions on appropriations; and to provide for the disposition of fees and other income received by certain state agencies.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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PART 1

LINE-ITEM APPROPRIATIONS

Sec. 101. There is appropriated for the Michigan strategic fund for the fiscal year ending September 30, 2007, from the funds indicated in this part, the following:

MICHIGAN STRATEGIC FUND (THRIVING ECONOMY)

1 APPROPRIATION SUMMARY:

2	Full-time equated classified positions.....	152.0	
3	Administration--22.0 FTE positions.....		\$ 2,451,000
4	Job creation services--130.0 FTE positions.....		17,496,000
5	Michigan promotion program.....		5,717,500
6	Economic development job training grants.....		9,798,000
7	Community development block grants.....		45,000,000
8	Human resources optimization user charges.....		<u>17,300</u>
9	GROSS APPROPRIATION.....		\$ 80,479,800
10	Appropriated from:		
11	Interdepartmental grant revenues:		
12	IDG-MDEQ, air quality fees.....		78,600
13	Federal revenues:		
14	DOL-ETA, employment service.....		300,000
15	HUD-CPD, community development block grant.....		47,387,000
16	Special revenue funds:		
17	Private - special project advances.....		700,000
18	Industry support fees.....		5,000
19	State general fund/general purpose.....		\$ 32,009,200

20 PART 2

21 PROVISIONS CONCERNING APPROPRIATIONS

22 GENERAL SECTIONS

23 Sec. 201. Pursuant to section 30 of article IX of the state
24 constitution of 1963, total state spending from state resources
25 under part 1 for fiscal year 2006-2007 is \$32,014,200.00 and state

1 spending from state resources to be paid to local units of
2 government for fiscal year 2006-2007 is \$9,798,000.00 from the
3 entire appropriation for economic development job training grants.

4 Sec. 202. The appropriations made and expenditures authorized
5 under this act and the departments, commissions, boards, offices,
6 and programs for which appropriations are made under this act are
7 subject to the management and budget act, 1984 PA 431, MCL 18.1101
8 to 18.1594.

9 Sec. 204. The department of civil service shall bill
10 departments and agencies at the end of the first fiscal quarter for
11 the 1% charge authorized by section 5 of article XI of the state
12 constitution of 1963. Payments shall be made for the total amount
13 of the billing by the end of the second fiscal quarter.

14 Sec. 205. (1) A hiring freeze is imposed on the state
15 classified civil service. State departments and agencies are
16 prohibited from hiring any new full-time state classified civil
17 service employees and prohibited from filling any vacant state
18 classified civil service positions. This hiring freeze does not
19 apply to internal transfers of classified employees from 1 position
20 to another within a department or state classified civil service
21 positions funded fully by federal funds.

22 (2) The state budget director may grant exceptions to this
23 hiring freeze when the state budget director believes that the
24 hiring freeze will result in rendering a state department or agency
25 unable to deliver basic services, cause a loss of revenue to the
26 state, result in the inability of the state to receive federal
27 funds, or would necessitate additional expenditures that exceed any

1 savings from maintaining a vacancy. The state budget director shall
2 report quarterly to the chairpersons of the senate and house of
3 representatives standing committees on appropriations the number of
4 exceptions to the hiring freeze approved during the previous month
5 and the reasons to justify the exception.

6 Sec. 207. At least 60 days before beginning any effort to
7 privatize, the fund shall submit a complete project plan to the
8 subcommittees and the fiscal agencies. The plan shall include the
9 criteria under which the privatization initiative will be
10 evaluated. The evaluation shall be completed and submitted to the
11 fiscal agencies and to the subcommittees within 30 months.

12 Sec. 208. Unless otherwise specified, the fund shall use the
13 Internet to fulfill the reporting requirements of this act. This
14 requirement may include transmission of reports via electronic mail
15 to the recipients identified for each reporting requirement or it
16 may include placement of reports on the Internet or Intranet site.

17 Sec. 209. Funds appropriated in part 1 shall not be used for
18 the purchase of foreign goods or services, or both, if
19 competitively priced and of comparable quality American goods or
20 services, or both, are available. Preference should be given to
21 goods or services, or both, manufactured or provided by Michigan
22 businesses if they are competitively priced and of comparable
23 quality.

24 Sec. 210. The chair of the fund shall take all reasonable
25 steps to ensure businesses in deprived and depressed communities
26 compete for and perform contracts to provide services or supplies,
27 or both. The chair of the fund shall strongly encourage firms with

1 which the fund contracts to subcontract with certified businesses
2 in depressed and deprived communities for services, supplies, or
3 both.

4 Sec. 212. The fund shall receive and retain copies of all
5 reports funded from appropriations in part 1. The fund shall follow
6 federal and state guidelines for short-term and long-term retention
7 of these reports and records.

8 Sec. 213. From the funds appropriated in part 1 for
9 information technology, the departments and agencies shall pay user
10 fees to the department of information technology for technology-
11 related services and projects. Such user fees shall be subject to
12 provisions of an interagency agreement between the fund and the
13 department of information technology.

14 Sec. 214. Amounts appropriated in part 1 for information
15 technology may be designated as work projects and carried forward
16 to support technology projects under the direction of the
17 department of information technology. Funds designated in this
18 manner are not available for expenditure until approved as work
19 projects under section 451a of the management and budget act, 1984
20 PA 431, MCL 18.1451a.

21 Sec. 216. It is the intent of the legislature that all revenue
22 sources for funds appropriated in part 1 shall not be aggregated
23 into general categories and shall be specifically identified and
24 detailed as much as possible.

25 Sec. 217. (1) Due to the current budgetary problems in this
26 state, out-of-state travel for the fiscal year ending September 30,
27 2007 shall be limited to situations in which 1 or more of the

1 following conditions apply:

2 (a) The travel is required by legal mandate or court order or
3 for law enforcement purposes.

4 (b) The travel is necessary to protect the health or safety of
5 Michigan citizens or visitors or to assist other states in similar
6 circumstances.

7 (c) The travel is necessary to produce budgetary savings or to
8 increase state revenues, including protecting existing federal
9 funds or securing additional federal funds.

10 (d) The travel is necessary to comply with federal
11 requirements.

12 (e) The travel is necessary to secure specialized training for
13 staff that is not available within this state.

14 (f) The travel is financed entirely by federal or nonstate
15 funds.

16 (2) If out-of-state travel is necessary but does not meet 1 or
17 more of the conditions in subsection (1), the state budget director
18 may grant an exception to allow the travel. Any exceptions granted
19 by the state budget director shall be reported on a monthly basis
20 to the house and senate appropriations committees.

21 (3) Not later than January 1 of each year, each department
22 shall prepare a travel report listing all travel by classified and
23 unclassified employees outside this state in the immediately
24 preceding fiscal year that was funded in whole or in part with
25 funds appropriated in the department's budget. The report shall be
26 submitted to the chairs and members of the house and senate
27 appropriations committees, the fiscal agencies, and the state

1 budget director. The report shall include the following
2 information:

3 (a) The name of each person receiving reimbursement for travel
4 outside this state or whose travel costs were paid by this state.

5 (b) The destination of each travel occurrence.

6 (c) The dates of each travel occurrence.

7 (d) A brief statement of the reason for each travel
8 occurrence.

9 (e) The transportation and related costs of each travel
10 occurrence, including the proportion funded with state general
11 fund/general purpose revenues, the proportion funded with state
12 restricted revenues, the proportion funded with federal revenues,
13 and the proportion funded with other revenues.

14 (f) A total of all out-of-state travel funded for the
15 immediately preceding fiscal year.

16 Sec. 219. The fund shall not take disciplinary action against
17 an employee for communicating with a member of the legislature or
18 his or her staff.

19 **MICHIGAN STRATEGIC FUND**

20 Sec. 1001. (1) The appropriation in part 1 to the fund for
21 economic development job training shall be expended in 2
22 categories: the business response program for employee training
23 grants that maintain or attract permanent jobs for Michigan
24 residents and the manufacturing competitiveness program for grants
25 to fund collaborative efforts that increase the competitiveness of
26 multiple companies within a grant. The business response program is

1 allocated up to \$6,532,000.00, and the manufacturing
2 competitiveness program is allocated up to \$3,266,000.00 not to
3 exceed the part 1 appropriation for this program in its entirety.
4 The fund has the authority to reallocate these amounts during the
5 fiscal year dependent on business demand and economic conditions.

6 (2) Not more than \$800,000.00 of the total grant may be
7 expended for administrative costs. Not more than 10% of the total
8 grant award may be expended by a recipient for administration
9 costs.

10 (3) No funds appropriated in part 1 to the fund for economic
11 development job training grants may be expended for the training of
12 permanent striker replacement workers, unless a strike exceeds 3
13 years and good faith negotiations are ongoing.

14 (4) Of the total funds appropriated in part 1 for economic
15 development job training grants, at least 75% of the funds shall be
16 awarded to community colleges or a consortium of community colleges
17 and other eligible applicants pursuant to subsection (5).

18 (5) An applicant may be a school district, intermediate school
19 district, community college, public or private nonprofit college or
20 university, nonprofit organization whose primary purpose is to
21 provide education programs or employment and training services or
22 vocational rehabilitation programs or school-to-work transition
23 programs, local workforce development board, the headquarters of a
24 federal and state sponsored manufacturing technology center, or a
25 consortium consisting of any combination of school districts,
26 intermediate school districts, community colleges, nonprofit
27 organizations described in this subsection, or public or private

1 nonprofit colleges or universities described in this subsection.

2 (6) On or before October 1, the fund shall publish proposed
3 application criteria, instructions, and forms for use by eligible
4 applicants. The fund shall provide at least a 2-week period for
5 public comment prior to finalization of the application criteria,
6 instructions, and forms.

7 (7) The award process will include a simple notice of intent
8 to be reviewed to see if the application merits further
9 consideration. If so, a full application may be submitted.

10 Applications for all grants shall be submitted to the fund, and
11 each application shall contain at least all of the following:

12 (a) The name, address, and total number of employees of each
13 business organization whose employees are receiving job training.

14 (b) A description of the specific job skills that will be
15 taught.

16 (c) A clear statement of the project's scope of activities and
17 number of participants to be involved.

18 (d) A commitment to maintain participant records in a form and
19 manner required by the fund.

20 (e) A budget which relates to the proposed activities and
21 various program components.

22 (8) Priority in the fund's awarding of grants shall be based
23 on the following criteria:

24 (a) Demonstrated need for the type of training offered.

25 (b) Creation and/or retention of high wage and high skilled
26 level jobs.

27 (c) Other criteria determined by the fund to be important.

1 (d) In addition, for the manufacturing competitiveness
2 program, the following criteria will receive priority: strong level
3 of collaboration and cooperation and demonstration of new
4 techniques, systems, and processes of value to the affected
5 companies.

6 (9) Participants in economic development job training programs
7 shall be 16 years or older and not enrolled and counted in
8 membership in a school district, intermediate school district, or
9 community college.

10 (10) A recipient of a grant under this section shall not
11 charge tuition or fees to participants in the program funded by the
12 grant. However, a nonprofit organization may charge tuition or fees
13 if the tuition plan or fees are recognized by the state and the
14 nonprofit organization receives additional funding from other
15 governmental or private funding sources for its programs.

16 (11) For training delivered to incumbent workers under the
17 business response program, the business receiving the benefit of
18 the training shall provide a minimum of 20% of the program costs in
19 matching funds as necessitated by the program. For training
20 delivered under the manufacturing competitiveness program, the
21 business receiving the benefit of the training shall provide a
22 minimum of 30% of the program costs in matching funds as
23 necessitated by the program.

24 (12) Grant funds shall be expended on a cost reimbursement
25 basis.

26 (13) A recipient of a grant under this section shall allow the
27 fund or the agency's designee to audit all records related to the

1 grant for all entities that receive money, either directly or
2 indirectly through a contract, from the grant funds. A grant
3 recipient or contractor shall reimburse the state for all
4 disallowances found in the audit.

5 (14) The fund shall provide to the state budget director and
6 the fiscal agencies by May 1 and November 1 of each year a report
7 on the economic development job training grants. The report due by
8 May 1 shall provide the information described in this subsection
9 for each grant or contract awarded during the preceding 2 quarters
10 of the state fiscal year. The report due by November 1 shall
11 provide this information for each grant or contract awarded during
12 the preceding full fiscal year. The report shall contain all of the
13 following:

14 (a) The amount and recipient of each grant or contract.

15 (b) The number of participants under each grant or contract
16 and the number of new hires who are in training under the grant.

17 (c) The names, addresses, and total number of employees of all
18 business organizations for whom training is or will be provided.

19 (d) The matching funds, if any, to be provided by a business
20 organization.

21 (15) Of the funds appropriated in part 1 for economic
22 development job training grants, the fund shall not use these funds
23 to finance the startup or in any way subsidize any private
24 distributor of liquor products in Michigan.

25 (16) As a condition of receiving funds under part 1 of this
26 act, the fund shall not expend any of the economic development job
27 training grant funds to train any employee who is an officer of a

1 corporation in a corporation employing more than 250 employees.

2 Sec. 1002. The Michigan growth capital fund shall be used to
3 develop the technology business sector in Michigan. The Michigan
4 growth capital fund will be used to encourage private and public
5 investment in the technology business sector, and all of the
6 following apply:

7 (a) An applicant must match state funds on a 1:1 basis.

8 (b) Eligible uses of the Michigan growth capital fund include
9 investments in organizations and programs that promote the
10 development of new industry sectors in Michigan; inducements to
11 attract additional venture capital funds to finance technology
12 development; support organizations, initiatives, or events that
13 promote entrepreneurship; provide match for university federal
14 research grants; and support technology transfer and
15 commercialization programs with universities and the private
16 sector.

17 (c) The Michigan economic development corporation shall
18 administer the Michigan growth capital fund.

19 (d) All funds received from repayment of loans, unused grants,
20 revenues received from sales or cash flow participation agreements,
21 guarantees, or any combination thereof or interest thereon,
22 originally distributed as part of the Michigan growth capital fund,
23 shall be received, held, and applied by the fund for the purposes
24 described in this section.

25 (e) The Michigan economic development corporation shall
26 provide an annual report on the status of the Michigan growth
27 capital fund to the subcommittees, the fiscal agencies, and the

1 state budget office by January 31.

2 Sec. 1003. Travel Michigan may establish and collect a fee to
3 cover the cost of materials and processing of photographic prints,
4 slides, videotapes, and travel product database information that
5 are requested by the media and other segments of the public and
6 private sectors. The fees collected shall be appropriated for all
7 expenses necessary to purchase and distribute these photographic
8 prints, slides, videotapes, and travel product database
9 information. The funds are available for expenditure when they are
10 received by the department of treasury.

11 Sec. 1004. Travel Michigan may receive and expend private
12 revenue related to the use of the "Michigan Great Lakes. Great
13 Times." copyrighted slogan and image. This revenue may come from
14 the direct licensing of the name and image or from the royalty
15 payments from various merchandise sales. Revenue collected is
16 appropriated for the marketing of the state as a travel
17 destination. The funds are available for expenditure when they are
18 received by the department of treasury.

19 Sec. 1005. The fund shall submit on or before May 1 and
20 November 1 to the subcommittees, state budget office, and the
21 fiscal agencies a listing of all grants which have been awarded by
22 the fund or by the Michigan economic development corporation from
23 the funds appropriated in part 1. The list shall include all of the
24 following:

- 25 (a) The name of the recipient.
26 (b) The amount awarded to the recipient.
27 (c) The purpose of the grant.

1 Sec. 1006. (1) The fund shall provide reports to the relevant
2 subcommittees, the state budget director, and the fiscal agencies
3 concerning the activities of the Michigan economic development
4 corporation grants and investment programs financed from the fund
5 using investment or Indian gaming revenues. The report shall
6 provide a list of individual grants and loans made from the fund.
7 The report shall include, but not be limited to, the following
8 programs funded in part 1:

- 9 (a) Travel Michigan.
10 (b) Michigan business development.
11 (c) Global business development.
12 (d) Small, minority, and disabled business services.
13 (e) Community development block grants.
14 (f) Strategic fund administration.
15 (g) Renaissance zones.
16 (h) Emerging business sectors and roundtables.
17 (i) Business and clean air ombudsman.
18 (j) Economic development job training grants.
19 (k) Community assistance team.
20 (l) Technology tri-corridor.
21 (m) Any other programs of the fund.

22 (2) The reports in subsection (1) shall be submitted by
23 January 1. The report for each program in subsection (1)(a) through
24 (m) shall include details on the actual spending and number of FTEs
25 for that program for the previous fiscal year.

26 Sec. 1007. As a condition of receiving funds under part 1, any
27 interlocal agreement entered into by the fund shall include

1 language which states that if a local unit of government has a
2 contract or memorandum of understanding with a private economic
3 development agency, the Michigan economic development corporation
4 will work cooperatively with that private organization in that
5 local area.

6 Sec. 1008. (1) Of the funds appropriated to the fund or
7 through grants to the Michigan economic development corporation, no
8 funds shall be expended for the purchase of options on land or the
9 purchase of land unless at least 1 of the following conditions
10 applies:

11 (a) The land is located in an economically distressed area.

12 (b) The land is obtained through a purchase or exercise of an
13 option at the invitation of the local unit of government and local
14 economic development agency.

15 (2) Consideration may be given to purchases where the proposed
16 use of the land is consistent with a regional land use plan, will
17 result in the redevelopment of an economically distressed area, can
18 be supported by existing infrastructure, and will not cause shifts
19 in population away from the area's population centers.

20 (3) As used in this section, "economically distressed area"
21 means an area in a city, village, or township that has been
22 designated as blighted; a city, village, or township that shows
23 negative population change from 1970 and a poverty rate and
24 unemployment rate greater than the statewide average; or an area
25 certified as a neighborhood enterprise zone.

26 Sec. 1009. The money appropriated in part 1 to the fund is
27 subject to the condition that none is spent for premiums or

1 advertising material involving personal effects or apparel
2 including, but not limited to, T-shirts, hats, coffee mugs, or
3 other promotional items, except travel Michigan.

4 Sec. 1010. (1) From the general fund/general purpose
5 appropriations in part 1 to the fund and granted or transferred to
6 the Michigan economic development corporation, any unexpended or
7 unencumbered balance shall be disposed of in accordance with the
8 requirements in the management and budget act, 1984 PA 431, MCL
9 18.1101 to 18.1594, unless carryforward authorization has been
10 otherwise provided for.

11 (2) Any encumbered funds shall be used for the same purposes
12 for which funding was originally appropriated in this act.

13 Sec. 1011. (1) As a condition of receiving funds under part 1,
14 the fund shall ensure that the MEDC and the fund comply with all of
15 the following:

16 (a) The freedom of information act, 1976 PA 442, MCL 15.231 to
17 15.246.

18 (b) The open meetings act, 1976 PA 267, MCL 15.261 to 15.275.

19 (c) Annual audits of all financial records by the auditor
20 general or his or her designee.

21 (d) All reports required by law to be submitted to the
22 legislature.

23 (2) If the MEDC is unable for any reason to perform duties
24 under this act, the fund may exercise those duties.

25 Sec. 1012. As a condition for receiving the appropriations in
26 part 1, any staff of the Michigan economic development corporation
27 involved in private fund-raising activities shall not be party to

1 any decisions regarding the awarding of grants or tax abatements
2 from the fund, the Michigan economic development corporation, or
3 the Michigan economic growth authority.

4 Sec. 1013. (1) All funds received from repayment of loans,
5 unused grants, revenues received from sales or cash flow
6 participation agreements, guarantees, or any combination thereof or
7 interest thereon, originally distributed as part of the core
8 communities fund, shall be received, held, and applied by the fund
9 for the purposes described in this act.

10 (2) The fund shall provide an annual report on the status of
11 this fund. The report shall be provided to the subcommittees, the
12 fiscal agencies, and the state budget office by January 31.

13 Sec. 1014. (1) The funding appropriated in part 1 of 2000 PA
14 291 for the Michigan core communities fund may be used to create an
15 urban revitalization infrastructure program in the fund for
16 economic development awards to create new jobs or contribute to
17 redevelopment and encourage private investment in core communities.

18 (2) Awards may be provided to qualified local governmental
19 units as defined in the obsolete property rehabilitation act, 2000
20 PA 146, MCL 125.2781 to 125.2797, or certified technology parks, as
21 defined in the local development financing act, 1986 PA 281, MCL
22 125.2151 to 125.2174.

23 (3) Awards can be used for land and property acquisition and
24 assembly, demolition, site development, utility modifications and
25 improvements, street and road improvements, telecommunication
26 infrastructure, site location and relocation, infrastructure
27 improvements, and any other costs related to the successful

1 development and implementation of core community or certified
2 technology park projects, at the discretion of the Michigan
3 economic development corporation.

4 (4) Funding may be provided in the form of loans, grants,
5 sales or cash flow participation agreements, guarantees, or any
6 combination of these. A cash match of at least 10%, or local
7 repayment guarantee with a dedicated funding source, is required.
8 Priority shall be given to projects which are integrated with
9 existing economic development programs, and to projects in
10 proportion to the amount that local matching rates exceed 10%.

11 (5) The Michigan economic development corporation shall have
12 all administrative responsibility for the Michigan core communities
13 fund and shall establish application and application scoring
14 criteria and approve awards. The Michigan economic development
15 corporation may utilize up to 1/2 of 1% of the fund for
16 administrative purposes.

17 (6) Funds will be awarded through an open competitive process
18 based on criteria including the following: project impact, project
19 marketability, lack of adequate infrastructure or land assembly
20 financing sources, local administrative capacity, and the level of
21 local matching funds. Awardees shall agree to expedite the local
22 development process, such as fast-track permitting procedures,
23 streamlined regulatory requirements, standardized construction and
24 building codes, and the use of competitive construction permitting
25 fees.

26 (7) No single applicant shall be awarded more than
27 \$10,000,000.00 per project.

1 (8) Fifteen days prior to the award of the funds, notification
2 shall be provided to the speaker of the house of representatives,
3 the senate majority leader, the members of the house and senate
4 appropriations committees, the fiscal agencies, and the state
5 budget director.

6 (9) Funds shall not be awarded for any of the following
7 purposes:

8 (a) Land sited for use as, or support for, a gaming facility.

9 (b) Land or other facilities owned or operated by a gaming
10 facility.

11 (c) Publicly owned land or facilities which may directly or
12 indirectly support a gaming facility.

13 (10) All funds received from repayment of loans, unused
14 grants, revenues received from sales or cash flow participation
15 agreements, guarantees, or any combination thereof or interest
16 thereon, originally distributed as part of the core communities
17 fund, shall be received, held, and applied by the fund for the
18 purposes described in this part.

19 (11) The fund shall provide an annual report on the status of
20 this fund. The report shall be provided to the subcommittees, the
21 fiscal agencies, and the state budget office by January 31.

22 Sec. 1015. It is the intent of the legislature that the
23 members of the executive committee of the corporation board of the
24 MEDC be subject to the advice and consent of the senate.

25 Sec. 1016. The Michigan economic development corporation shall
26 work with the office of the auditor general to implement procedures
27 to annually audit the number of jobs claimed to be created by firms

1 receiving Michigan economic growth authority grants, and all other
2 claims of job creation for which MEDC has provided tax credits or
3 other economic incentives.

4 Sec. 1017. The Michigan economic development corporation shall
5 report on the number of individuals it employs with an annual
6 salary of \$80,000.00 or more to the subcommittees, the fiscal
7 agencies, and the state budget office by October 31, 2007. The
8 report shall include the name, the job title, and a description of
9 the duties and responsibilities of all such employees.

10 Sec. 1018. From the funds appropriated in part 1 for the
11 Michigan promotion program, the Michigan economic development
12 corporation shall contract with a state research university in
13 Michigan to conduct a scientific study of the return on investment
14 of state tourism advertising expenditures. The results of this
15 study shall be reported to the subcommittees, the fiscal agencies,
16 and the state budget office by January 31, 2007.

17 Sec. 1019. (1) As a condition of receiving the funds
18 appropriated in part 1, the Michigan strategic fund shall ensure
19 that the Michigan economic development corporation and the Michigan
20 strategic fund promulgate or create no guidelines, rules,
21 standards, protocols, or other similar mandates that would prevent
22 a firm, which otherwise qualifies for Michigan economic growth
23 authority tax credits, from receiving such credits because the new
24 employees who fill qualified new jobs as defined in the Michigan
25 economic growth authority act of 1995, 1995 PA 24, MCL 207.801 to
26 207.810, are leased from a professional employer organization.

27 (2) For purposes of this section, a professional employer

1 organization is defined as an organization that provides the
2 management and administration of the human resources and employer
3 risk of another entity by contractually assuming substantial
4 employer rights, responsibilities, and risk through a professional
5 employer agreement that establishes an employer relationship with
6 the leased officers or employees assigned to the other entity by
7 doing all of the following:

8 (a) Maintaining the right of direction and control of the
9 employees' work, although this responsibility may be shared with
10 the other entity.

11 (b) Paying wages and employment taxes of the employees out of
12 its own accounts.

13 (c) Reporting, collecting, and depositing state and federal
14 employment taxes for the employees.

15 (d) Retaining the right to hire and fire employees.