SENATE SUBSTITUTE FOR

HOUSE BILL NO. 4089

A bill to amend 1995 PA 24, entitled

"Michigan economic growth authority act,"

by amending sections 8 and 10 (MCL 207.808 and 207.810), section 8 as amended by 2008 PA 257 and section 10 as amended by 2006 PA 283.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 8. (1) After receipt of an application, the authority may
 enter into an agreement with an eligible business for a tax credit
 under section 9 if the authority determines that all of the
 following are met:

5 (a) Except as provided in subsection (5), the eligible
6 business creates 1 or more of the following as determined by the
7 authority and provided with written agreement:

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(i) A minimum of 50 qualified new jobs at the facility if

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1 expanding in this state.

2 (ii) A minimum of 50 qualified new jobs at the facility if
3 locating in this state.

4 (*iii*) A minimum of 25 qualified new jobs at the facility if the
5 facility is located in a neighborhood enterprise zone as determined
6 under the neighborhood enterprise zone act, 1992 PA 147, MCL
7 207.771 to 207.786, is located in a renaissance zone under the
8 Michigan renaissance zone act, 1996 PA 376, MCL 125.2681 to
9 125.2696, or is located in a federally designated empowerment zone,
10 rural enterprise community, or enterprise community.

(*iv*) A minimum of 5 qualified new jobs at the facility if the
eligible business is a qualified high-technology business.

13 (v) A minimum of 5 qualified new jobs at the facility if the14 eligible business is a rural business.

(b) Except as provided in subsection (5), the eligible
business agrees to maintain 1 or more of the following for each
year that a credit is authorized under this act:

18 (i) A minimum of 50 qualified new jobs at the facility if19 expanding in this state.

20 (ii) A minimum of 50 qualified new jobs at the facility if21 locating in this state.

(*iii*) A minimum of 25 qualified new jobs at the facility if the facility is located in a neighborhood enterprise zone as determined under the neighborhood enterprise zone act, 1992 PA 147, MCL 207.771 to 207.786, is located in a renaissance zone under the Michigan renaissance zone act, 1996 PA 376, MCL 125.2681 to 125.2696, or is located in a federally designated empowerment zone,

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1 rural enterprise community, or enterprise community.

2 (*iv*) If the eligible business is a qualified high-technology3 business, all of the following apply:

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12

(A) A minimum of 5 qualified new jobs at the facility.

5 (B) A minimum of 25 qualified new jobs at the facility within 6 5 years after the date of the expansion or location as determined 7 by the authority and a minimum of 25 qualified new jobs at the 8 facility each year thereafter for which a credit is authorized 9 under this act.

10 (v) If the eligible business is a rural business, all of the11 following apply:

(A) A minimum of 5 qualified new jobs at the facility.

(B) A minimum of 25 qualified new jobs at the facility within
5 years after the date of the expansion or location as determined
by the authority.

(c) Except as provided in subsection (5) and as otherwise 16 provided in this subdivision, in addition to the jobs specified in 17 subdivision (b), the eligible business, if already located within 18 19 this state, agrees to maintain a number of full-time jobs equal to 20 or greater than the number of full-time jobs it maintained in this 21 state prior to the expansion, as determined by the authority. After 22 an eligible business has entered into a written agreement as 23 provided in subsection (2), the authority may adjust the number of 24 full-time jobs required to be maintained by the authorized business under this subdivision, in order to adjust for decreases in full-25 26 time jobs in the authorized business in this state due to the 27 divestiture of operations, provided a single other person continues

to maintain those full-time jobs in this state. The authority shall 1 2 not approve a reduction in the number of full-time jobs to be maintained unless the authority has determined that it can monitor 3 4 the maintenance of the full-time jobs in this state by the other 5 person, and the authorized business agrees in writing that the 6 continued maintenance of the full-time jobs in this state by the 7 other person, as determined by the authority, is a condition of receiving tax credits under the written agreement. A full-time job 8 9 maintained by another person under this subdivision, that otherwise meets the requirements of section $\frac{3(i)}{3(J)}$, shall be considered a 10 11 full-time job, notwithstanding the requirement that a full-time job 12 be performed by an individual employed by an authorized business, or an employee leasing company or professional employer 13 organization on behalf of an authorized business. 14

(d) Except as otherwise provided in this subdivision, the wage 15 paid for each retained job and qualified new job is equal to or 16 17 greater than 150% of the federal minimum wage. However, if the 18 eligible business is a qualified high-wage activity, then the wage 19 paid for each qualified new job is equal to or greater than 300% of 20 the federal minimum wage. However, beginning on the effective date 21 of the amendatory act that added this sentence AUGUST 4, 2008, the 22 authority may include the value of the health care benefit in 23 determining the wage paid for each retained job or qualified new 24 job for an eligible business under this act.

(e) The plans for the expansion, retention, or location areeconomically sound.

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(f) Except for an eligible business described in subsection

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(5)(c), the eligible business has not begun construction of the
 facility.

3 (g) The expansion, retention, or location of the eligible
4 business will benefit the people of this state by increasing
5 opportunities for employment and by strengthening the economy of
6 this state.

7 (h) The tax credits offered under this act are an incentive to
8 expand, retain, or locate the eligible business in Michigan and
9 address the competitive disadvantages with sites outside this
10 state.

(i) A cost/benefit analysis reveals that authorizing the
eligible business to receive tax credits under this act will result
in an overall positive fiscal impact to the state.

(j) If the eligible business is a qualified high-technology business described in section 3 (m) (i) -3 (N), the eligible business agrees that not less than 25% of the total operating expenses of the business will be maintained for research and development for the first 3 years of the written agreement.

19 (2) If the authority determines that the requirements of 20 subsection (1), (5), (9), or (11) have been met, the authority shall determine the amount and duration of tax credits to be 21 authorized under section 9, and shall enter into a written 22 23 agreement as provided in this section. The duration of the tax credits shall not exceed 20 years or for an authorized business 24 that is a distressed business, 3 years. In determining the amount 25 26 and duration of tax credits authorized, the authority shall 27 consider the following factors:

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(a) The number of qualified new jobs to be created or retained
 jobs to be maintained.

3 (b) The average wage and health care benefit level of the
4 qualified new jobs or retained jobs relative to the average wage
5 and health care benefit paid by private entities in the county in
6 which the facility is located.

7 (c) The total capital investment or new capital investment the8 eligible business will make.

9 (d) The cost differential to the business between expanding,
10 locating, or retaining new jobs in Michigan and a site outside of
11 Michigan.

12 (e) The potential impact of the expansion, retention, or13 location on the economy of Michigan.

(f) The cost of the credit under section 9, the staff,
financial, or economic assistance provided by the local government
unit, or local economic development corporation or similar entity,
and the value of assistance otherwise provided by this state.

18 (g) Whether the expansion, retention, or location will occur19 in this state without the tax credits offered under this act.

20 (h) Whether the authorized business reuses or redevelops
21 property that was previously used for an industrial or commercial
22 purpose in locating the facility.

(3) A written agreement between an eligible business and the
authority shall include, but need not be limited to, all of the
following:

26 (a) A description of the business expansion, retention, or27 location that is the subject of the agreement.

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(b) Conditions upon which the authorized business designation
 is made.

3 (c) A statement by the eligible business that a violation of
4 the written agreement may result in the revocation of the
5 designation as an authorized business and the loss or reduction of
6 future credits under section 9.

7 (d) A statement by the eligible business that a
8 misrepresentation in the application may result in the revocation
9 of the designation as an authorized business and the refund of
10 credits received under section 9.

(e) A method for measuring full-time jobs before and after an expansion, retention, or location of an authorized business in this state.

14 (f) A written certification from the eligible business15 regarding all of the following:

(i) The eligible business will follow a competitive bid process
for the construction, rehabilitation, development, or renovation of
the facility, and that this process will be open to all Michigan
residents and firms. The eligible business may not discriminate
against any contractor on the basis of its affiliation or
nonaffiliation with any collective bargaining organization.

22 (*ii*) The eligible business will make a good faith effort to23 employ, if qualified, Michigan residents at the facility.

(*iii*) The eligible business will make a good faith effort to
employ or contract with Michigan residents and firms to construct,
rehabilitate, develop, or renovate the facility.

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(*iv*) The eligible business is encouraged to make a good faith

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effort to utilize Michigan-based suppliers and vendors when
 purchasing goods and services.

3 (g) A condition that if the eligible business qualified under
4 subsection (5) (b) (ii) and met the subsection (1) (e) requirement by
5 filing a chapter 11 plan of reorganization, the plan must be
6 confirmed by the bankruptcy court within 6 years of the date of the
7 agreement or the agreement is rescinded.

8 (4) Upon execution of a written agreement as provided in this9 section, an eligible business is an authorized business.

10 (5) Through December 31, 2007, after receipt of an 11 application, the authority may enter into a written agreement with 12 an eligible business that meets 1 or more of the following 13 criteria:

(a) Is located in this state on the date of the application,
makes new capital investment of \$250,000,000.00 in this state, and
maintains 500 retained jobs, as determined by the authority.

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(b) Meets 1 or more of the following criteria:

18 (i) Relocates production of a product to this state after the
19 date of the application, makes capital investment of
20 \$500,000,000.00 in this state, and maintains 500 retained jobs, as
21 determined by the authority.

(*ii*) Maintains 150 retained jobs at a facility, maintains 1,000
or more full-time jobs in this state, and makes new capital
investment in this state.

(iii) Is located in this state on the date of the application,
maintains at least 100 retained jobs at a single facility, and
agrees to make new capital investment at that facility equal to the

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1 greater of \$100,000.00 per retained job maintained at that facility 2 or \$10,000,000.00 to be completed or contracted for not later than 3 December 31, 2007.

4 (*iv*) Maintains 300 retained jobs at a facility; the facility is 5 at risk of being closed and if it were to close, the work would go to a location outside this state, as determined by the authority; 6 new management or new ownership is proposed for the facility that 7 is committed to improve the viability of the facility, unless 8 9 otherwise provided in this subparagraph; and the tax credits 10 offered under this act are necessary for the facility to maintain 11 operations. The authority may not enter into a written agreement 12 under this subparagraph after December 31, 2007. Of the written agreements entered into under this subparagraph, the authority may 13 14 enter into 3 written agreements under this subparagraph that are excluded from the requirements of subsection (1)(e), (f), AND (h) $_{ au}$ 15 and (i) if the authority considers it in the public interest and if 16 17 the eligible business would have met the requirements of subsection 18 (1) (q) - AND (h) - and (k) within the immediately preceding 6 19 months from the signing of the written agreement for a tax credit. 20 Of the 3 written agreements described in this subparagraph, the 21 authority may also waive the requirement for new management if the 22 existing management and labor make a commitment to improve the 23 viability and productivity of the facility to better meet 24 international competition as determined by the authority. 25 (v) Maintains 100 retained jobs at a facility; is a rural

26 business, unless otherwise provided in this subparagraph; the 27 facility is at risk of being closed and if it were to close, the

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work would go to a location outside this state, as determined by 1 2 the authority; new management or new ownership is proposed for the facility that is committed to improve the viability of the 3 4 facility; and the tax credits offered under this act are necessary 5 for the facility to maintain operations. The authority may not 6 enter into a written agreement under this subparagraph after December 31, 2007. Of the written agreements entered into under 7 this subparagraph, the authority may enter into 3 written 8 9 agreements under this subparagraph that are excluded from the 10 requirements of subsection (1)(e), (f), and (h) if the authority 11 considers it in the public interest and if the eligible business 12 would have met the requirements of subsection (1)(g), (1)(E) AND 13 (h) $\frac{1}{7}$ and (e) within the immediately preceding 6 months from the 14 signing of the written agreement for a tax credit. Of the 3 written 15 agreements described in this subparagraph, the authority may also waive the requirement that the business be a rural business if the 16 17 business is located in a county with a population of 500,000 or more and 600,000 or less. 18

19 (vi) Maintains 175 retained jobs and makes new capital
20 investment at a facility in a county with a population of not less
21 than 7,500 but not greater than 8,000.

(vii) Is located in this state on the date of the application, maintains at least 675 retained jobs at a facility, agrees to create 400 new jobs, and agrees to make a new capital investment of at least \$45,000,000.00 to be completed or contracted for not later than December 31, 2007. Of the written agreements entered into under this subparagraph, the authority may enter into 1 written

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agreement under this subparagraph that is excluded from the
 requirements of subsection (1)(f) if the authority considers it in
 the public interest.

4 (viii) Is located in this state on the date of the application,
5 makes new capital investment of \$250,000,000.00 or more in this
6 state, and makes that capital investment at a facility located
7 north of the 45th parallel.

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(c) Is a distressed business.

9 (6) Each year, the authority shall not execute new written
10 agreements that in total provide for more than 400 yearly credits
11 over the terms of those agreements entered into that year for
12 eligible businesses that are not qualified high-technology
13 businesses, distressed businesses, rural businesses, or an eligible
14 business described in subsection (11).

15 (7) The authority shall not execute more than 50 new written 16 agreements each year for eligible businesses that are qualified 17 high-technology businesses or rural business. Only 25 of the 50 18 written agreements for businesses that are qualified high-19 technology businesses or rural business may be executed each year 20 for qualified rural businesses.

(8) The authority shall not execute more than 20 new written agreements each year for eligible businesses that are distressed businesses. The authority shall not execute more than 5 of the written agreements described in this subsection each year for distressed businesses that had 1,000 or more full-time jobs at a facility 4 years immediately preceding the application to the authority under this act. The authority shall not execute more than

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5 new written agreements each year for eligible businesses
 described in subsection (11). The authority shall not execute more
 than 4 new written agreements each year for eligible businesses
 described in subsection (11) in local governmental units that have
 a population greater than 16,000.

6 (9) Beginning January 1, 2008, after receipt of an
7 application, the authority may enter into a written agreement with
8 an eligible business that does not meet the criteria described in
9 subsection (1), if the eligible business meets all of the
10 following:

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(a) Agrees to retain not fewer than 50 jobs.

(b) Agrees to invest, through construction, acquisition,
transfer, purchase, contract, or any other method as determined by
the authority, at a facility equal to \$50,000.00 or more per
retained job maintained at the facility.

16 (c) Certifies to the authority that, without the credits under 17 this act and without the new capital investment, the facility is at 18 risk of closing and the work and jobs would be removed to a 19 location outside of this state.

(d) Certifies to the authority that the management or
ownership is committed to improving the long-term viability of the
facility in meeting the national and international competition
facing the facility through better management techniques, best
practices, including state of the art lean manufacturing practices,
and market diversification.

26 (e) Certifies to the authority that it will make best efforts27 to keep jobs in Michigan when making plant location and closing

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1 decisions.

2 (f) Certifies to the authority that the workforce at the
3 facility demonstrates its commitment to improving productivity and
4 profitability at the facility through various means.

5 (10) Beginning on the effective date of the amendatory act that added this subsection APRIL 28, 2008, if the authority enters 6 7 into a written agreement with an eligible business, the written agreement shall include a repayment provision of all or a portion 8 of the credits received by the eliqible business for a facility if 9 the eligible business moves full-time jobs outside this state 10 11 during the term of the written agreement and for a period of years 12 after the term of the written agreement, as determined by the 13 authority.

14 (11) Beginning January 1, 2008, after receipt of an 15 application, the authority may enter into a written agreement with 16 an eligible business that does not meet the criteria described in 17 subsection (1), if the eligible business meets all of the 18 following:

19 (a) Agrees to create or retain not fewer than 15 jobs. 20 (b) Agrees to occupy property that is a historic resource as that term is defined in section 435 of the Michigan business tax 21 22 act, 2007 PA 36, MCL 208.1435, and that is located in a downtown district as defined in section 1 of 1975 PA 197, MCL 125.1651. 23 24 (c) The average wage paid for each retained job and full-time job is equal to or greater than 150% of the federal minimum wage. 25 26 (12) BEGINNING JULY 1, 2009, THE AUTHORITY SHALL NOT ENTER 27 INTO A WRITTEN AGREEMENT WITH AN ELIGIBLE BUSINESS UNLESS THE

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ELIGIBLE BUSINESS STATES, IN WRITING, THAT THE ELIGIBLE BUSINESS
 WILL NOT KNOWINGLY HIRE OR CONTRACT WITH ANY BUSINESS ENTITY THAT
 KNOWINGLY HIRES AN INDIVIDUAL WHO IS NOT AUTHORIZED UNDER FEDERAL
 LAW TO WORK IN THE UNITED STATES.

5 (13) BEGINNING JULY 1, 2009, WHEN DETERMINING WHICH ELIGIBLE 6 BUSINESSES QUALIFY FOR THE TAX CREDITS UNDER THIS ACT, IF ALL OTHER 7 CONSIDERATIONS ARE EQUAL, THE AUTHORITY SHALL GIVE PREFERENCE TO AN 8 ELIGIBLE BUSINESS THAT STATES, IN WRITING, THE ELIGIBLE BUSINESS 9 WILL DO ALL OF THE FOLLOWING:

(A) HIRE ONLY RESIDENTS OF THIS STATE OR INDIVIDUALS WHO PLAN
ON BECOMING RESIDENTS OF THIS STATE TO CONSTRUCT, REHABILITATE,
DEVELOP, OR RENOVATE THE FACILITY UNDER THIS ACT UNLESS THE
AUTHORITY DETERMINES THAT THE FACILITY CANNOT BE CONSTRUCTED,
REHABILITATED, DEVELOPED, OR RENOVATED BY USING ONLY RESIDENTS OF
THIS STATE OR INDIVIDUALS WHO PLAN ON BECOMING RESIDENTS OF THIS
STATE FOR 1 OR MORE OF THE FOLLOWING:

17 (i) TO THE EXTENT NECESSARY TO COMPLY WITH FEDERAL LAW OR
18 REGULATION CONCERNING THE USE OF FEDERAL FUNDS.

19 (*ii*) TO THE EXTENT THAT KEY MANAGEMENT PERSONNEL OR INDIVIDUALS
20 WITH SPECIAL SKILLS, WHO ARE NOT RESIDENTS OF THIS STATE, ARE
21 NEEDED.

(*iii*) HOWEVER, FOR FACILITIES LOCATED IN A COUNTY THAT BORDERS
ON ANOTHER STATE, IF THE AUTHORITY DETERMINES THAT THE USE OF
NONRESIDENTS FOR THE CONSTRUCTION, REHABILITATION, DEVELOPMENT, OR
RENOVATION WILL NOT HAVE A SIGNIFICANT ADVERSE EFFECT ON THE
EMPLOYMENT OF RESIDENTS IN THIS STATE.

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(B) CONTRACT WITH BUSINESSES THAT AGREE TO HIRE ONLY RESIDENTS

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1 OF THIS STATE OR INDIVIDUALS WHO PLAN ON BECOMING RESIDENTS OF THIS 2 STATE TO CONSTRUCT, REHABILITATE, DEVELOP, OR RENOVATE THE FACILITY 3 UNDER THIS ACT UNLESS THE AUTHORITY DETERMINES THAT THE FACILITY 4 CANNOT BE CONSTRUCTED, REHABILITATED, DEVELOPED, OR RENOVATED BY 5 USING ONLY RESIDENTS OF THIS STATE OR INDIVIDUALS WHO PLAN ON 6 BECOMING RESIDENTS OF THIS STATE FOR 1 OR MORE OF THE FOLLOWING:

7 (i) TO THE EXTENT NECESSARY TO COMPLY WITH FEDERAL LAW OR
8 REGULATION CONCERNING THE USE OF FEDERAL FUNDS.

9 (*ii*) TO THE EXTENT THAT KEY MANAGEMENT PERSONNEL OR INDIVIDUALS 10 WITH SPECIAL SKILLS, WHO ARE NOT RESIDENTS OF THIS STATE, ARE 11 NEEDED.

(*iii*) HOWEVER, FOR FACILITIES LOCATED IN A COUNTY THAT BORDERS
ON ANOTHER STATE, IF THE AUTHORITY DETERMINES THAT THE USE OF
NONRESIDENTS FOR THE CONSTRUCTION, REHABILITATION, DEVELOPMENT, OR
RENOVATION WILL NOT HAVE A SIGNIFICANT ADVERSE EFFECT ON THE
EMPLOYMENT OF RESIDENTS IN THIS STATE.

(14) BEGINNING JULY 1, 2009, A WRITTEN AGREEMENT ENTERED INTO
WITH THE ELIGIBLE BUSINESS SHALL ALSO CONTAIN A REMEDY PROVISION
THAT PROVIDES FOR ALL OF, BUT NOT LIMITED TO, THE FOLLOWING:

20 (A) A REQUIREMENT THAT THE ELIGIBLE BUSINESS'S CREDITS ARE
21 REVOKED UNDER THIS ACT IF THE ELIGIBLE BUSINESS IS DETERMINED TO BE
22 IN VIOLATION OF THE PROVISIONS OF SUBSECTION (12) OR, IF
23 APPLICABLE, SUBSECTION (13), AS DETERMINED BY THE AUTHORITY.

(B) A REQUIREMENT THAT THE ELIGIBLE BUSINESS MAY BE REQUIRED
TO REPAY SOME OR ALL OF THE BENEFITS RECEIVED UNDER THIS ACT IF THE
ELIGIBLE BUSINESS IS DETERMINED TO BE IN VIOLATION OF THE
PROVISIONS OF SUBSECTION (12) OR, IF APPLICABLE, SUBSECTION (13),

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1 AS DETERMINED BY THE AUTHORITY.

Sec. 10. The authority shall report to both houses of the
legislature yearly on October 1 on the activities of the authority.
The report shall include, but is not limited to, all of the
following:

6 (a) The total amount of capital investment attracted under7 this act.

8 (b) The total number of qualified new jobs created under this9 act.

10 (c) The total number of new written agreements.

11 (d) Name and location of all authorized businesses and the12 names and addresses of all of the following:

13 (i) The directors and officers of the corporation if the14 authorized business is a corporation.

15 (*ii*) The partners of the partnership or limited liability
16 partnership if the authorized business is a partnership or limited
17 liability partnership.

18 (*iii*) The members of the limited liability company if the19 authorized business is a limited liability company.

20 (e) The amount and duration of the tax credit separately for21 each authorized business.

(f) The amount of any fee, donation, or other payment of any kind from the authorized business to the Michigan economic development corporation or a foundation or fund associated with the Michigan economic development corporation paid or made in the previous reporting year end or, if it is the first reporting year for the authorized business, for the immediately preceding 3

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1 calendar years.

2 (g) The total number of new written agreements entered into
3 under section 8(5) and, of those written agreements, the number in
4 which the board determined that it was in the public interest to
5 waive 1 or more of the requirements of section 8(1).

6 (H) THE NUMBER OF MICHIGAN RESIDENTS EMPLOYED IN QUALIFIED NEW
7 JOBS THAT WERE CREATED OR RETAINED IN THE IMMEDIATELY PRECEDING
8 YEAR.

9 (I) THE SPECIFIC REASONS FOR EACH DETERMINATION OF EXEMPTION 10 FROM THE PROVISIONS OF SECTION 8(13)(A) OR (B) MADE BY THE 11 AUTHORITY AND THE NUMBER OF JOBS RELATED TO EACH DETERMINATION.

12 (J) THE DETAILS OF THE GOOD FAITH EFFORTS REQUIRED UNDER
13 SECTION 8(3)(F)(*ii*), (*iii*), AND (*iv*).

14 Enacting section 1. This amendatory act does not take effect
15 unless all of the following bills of the 95th Legislature are
16 enacted into law:

17 (a) Senate Bill No. 502.

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19 (b) Senate Bill No. 539.

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