



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 138 (Substitute S-4 as passed by the Senate)
Sponsor: Senator Valde Garcia
Committee: Economic Development and Regulatory Reform

(as enrolled)

Date Completed: 11-18-10

RATIONALE

In fiscal year (FY) 2005-06, \$10.0 million of appropriations to the Michigan Strategic Fund was allocated to support the development and creation of a defense contract coordination center program to assist Michigan companies in securing Federal defense and homeland security procurement contracts. Public Act 317 of 2006 then created a new statute to establish the Defense Contract Coordination Center (DCCC) in the Michigan Strategic Fund, subject to a sunset date of July 20, 2011, and an executive director was hired during 2007. Among other things, the DCCC is required to focus on job creation and retention from business opportunities associated with homeland security and defense contracts, and coordinate with Professional Technical Assistance Centers (PTACs) in the State to maximize homeland security and defense business opportunities for small businesses in Michigan. According to the Michigan Economic Development Corporation (which performs many functions of the Michigan Strategic Fund), the PTAC program yielded \$2.2 billion in contracts between FY 2007-08 and FY 2009-10, compared with \$906.0 million during the previous three fiscal years, and total U.S. Department of Defense spending in Michigan averaged \$5.6 annually in FY 2007-08 and FY 2008-09, compared with an annual average of \$4.4 billion between FY 2004-05 and FY 2006-07.

To retain the DCCC as an entity created and governed by statute, it has been suggested that the sunset date be eliminated.

CONTENT

The bill would repeal the enacting section of Public Act 317 of 2006 that provides for a July 20, 2011, sunset on the Act. The bill also would amend the Act to do the following:

- Rename the Defense Contract Coordination Center as the Michigan Defense Center.
- Prescribe annual reporting requirements for a Procurement Technical Assistance Center or other entity that received a grant or loan from the Michigan Defense Center.

Specifically, a PTAC or other entity receiving a grant or loan from the Michigan Defense Center or any funding from the Michigan Strategic Fund would have to report the following to the Center at least once a year:

- How the grant, loan, or other funding had been used in the immediately preceding year.
- The number and amount of defense or homeland security contracts the PTAC or other entity had received in the immediately preceding year.

Currently, the DCCC's development plan is required to include the percentage of funds used for grants, loans, and operating expenses. Under the bill, the development plan would be permitted to include that information.

MCL 125.1972

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

According to a website of the Michigan Economic Development Corporation (MEDC), the DCCC "strategically connects defense industry buyers with capable Michigan businesses", and "is leveraging Michigan's manufacturing and engineering expertise in high-tech sectors, such as robotics and homeland security, where the state may have a competitive advantage". The numbers cited by the MEDC show that the DCCC has been a success, even during the heart of the recession. Although the State could continue to fund these efforts if the sunset date takes effect, recognizing the entity in statute sends a message that Michigan is committed to bringing in defense jobs and procurement contracts. The statutory provisions also tell the MEDC what it is expected to do in terms of administering the DCCC and spending the money appropriated to it. By eliminating the sunset date, the bill would help the Center--renamed the Michigan Defense Center--to carry out its mission.

In addition, the proposed reporting requirements would bring transparency and accountability to the activities of the PTACs and other entities that received loans or grants from the Michigan Defense Center or funding from the Strategic Fund.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would eliminate the sunset on the Defense Contract Coordination Center (which the bill would rename the Michigan Defense Center), permitting it to continue operations past the original termination date of July 20, 2011. The DCCC has been funded previously from the 21st Century Jobs Trust Fund. At its meeting on September 22, 2010, the Michigan Strategic Fund board allocated \$2,070,000 to the DCCC, consisting of \$2.0 million from the FY 2009-10 appropriations for Jobs for Michigan Investment Program: 21st Century Jobs Fund, and \$70,000 in remaining authorization from the original DCCC appropriation of \$10.0 million in FY 2005-06.

The proposed name change would cause a one-time minimal increase in costs. The reporting requirement for the Procurement Technical Assistance Centers that receive a grant or loan from the Michigan Defense Center would increase the costs of the PTACs by a minimal amount. The PTACs are funded jointly by the MEDC, the Federal Defense Logistics Agency, and local partners.

Fiscal Analyst: Elizabeth Pratt

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.