

MICHIGAN BUSINESS DEVELOPMENT PROGRAM

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Senate Bill 556 (S-1)

Sponsor: Sen. John Proos

House Committee: Commerce

Senate Committee: Economic Development

Complete to 10-11-11

A SUMMARY OF SENATE BILL 556 AS PASSED BY THE SENATE 10-6-11

Senate Bill 556 would create the Michigan Business Development Program (MBDP), which would provide grants, loans and other economic assistance to qualified businesses that make investments or provide new jobs in Michigan. The bill amends the Strategic Fund Act and places the new program within the Strategic Fund. The MBDP would effectively replace the MEGA tax credit program. In addition, the MSF would have the authority to create other business development programs that align with the provisions of the MBDP.

MCL 125.2005 et al.

SUMMARY & FISCAL IMPACT:

The following combines a description of the bill with its fiscal impact.

Under current law, the 21st Century Jobs Trust Fund appropriations are subject to certain constraints: not more than 25% may be used for loan enhancements, not more than 40% may be used for investment programs, and not more than 70% may be used for competitive edge technologies. Under the bill, these statutory constraints would be eliminated. The MSF board would have the ability to make allocations from the 21st Century Jobs Trust Fund to tourism promotion, other programs under Chapter 8A, the newly created MBDP, and the newly created Community Revitalization Program (CRP) without the above-mentioned restrictions.

The bill also expands the source of funds that make up the Jobs for Michigan Investment Fund, which is a permanent fund within the MSF. Specifically, the bill would require that any funds appropriated (21st Century Jobs Trust Fund and General Fund) for programs under Chapter 8A would be directed to the Jobs for Michigan Investment Fund. It is unknown what amount would be dedicated to programs under Chapter 8A at this time. The sum would depend on the amount allocated (21st Century Jobs Trust Fund plus General Fund dollars appropriated in PA 63 of 2011 for economic development programs under MSF) to programs under Chapter 8A as opposed to the Community Revitalization Program (created in Senate Bills 566-568 and 644).

Any General Fund monies appropriated for programs under Chapter 8A would remain in the Jobs for Michigan Investment Fund at the close of the fiscal year rather than lapse back to the General Fund. Moreover, the statutory language for the Jobs for Michigan Investment Fund indicates that "money in the investment fund shall not be transferred to another governmental entity or separate legal entity and public body corporate." Any interest earnings on the Jobs for Michigan Investment Fund would remain with the fund. Interest earnings on the 21st Century Jobs Trust Fund are deposited in the General Fund. Therefore, there would be a fiscal impact, albeit indeterminate, on the General Fund in foregone interest earnings due to funds being shifted from the 21st Century Jobs Trust Fund to the Jobs for Michigan Investment Fund.

While the Brownfield Redevelopment, Historic Preservation, and MEGA tax credits were eliminated, the goal of both the Governor and the Legislature was to preserve the objectives of the programs through a restructured grant and loan program. To this end, the FY 2011-12 MSF budget included \$100 million dedicated for Business Attraction and Economic Gardening. Of this amount, \$50 million was appropriated in a line-item (fund sourced from \$25 million GF/GP and \$25 million from the 21st Century Jobs Trust Fund) and \$50 million GF/GP was appropriated through a boilerplate appropriation, Section 1201, as "one-time" funding.

By and large, these funds were intended to replace the Brownfield Redevelopment, Historic Preservation, and MEGA tax incentives. However, the MSF retains the ultimate authority as to how these funds are distributed subject to statutory restrictions and boilerplate Section 1024 of the FY 2011-12 General Government budget, which requires not less than \$20 million of the funds appropriated for business attraction and economic gardening to be used for brownfield redevelopment and historic preservation incentives. At this time, it is unclear what amount would be dedicated to the MBDP.

The provisions of the bill also outline the makeup of the MBDP. The MBDP would primarily be a grant and loan program that would provide funds to eligible businesses creating jobs and investment in Michigan. In any fiscal year, a qualified business may not receive more than 10% of the amount appropriated for the program. The MSF president would have the authority to authorize grants and loans below \$1 million, while anything over \$1 million would need to be authorized by the MSF board. In any fiscal year, a qualified business could not receive more than \$10 million.

The MSF would be required to develop an application and oversight process as outlined in the provisions of the program. Oversight would include ensuring that local governments provide the specified support; confirming compliance with the terms of the written agreement for the grant or loan; conducting background checks on each qualified business applying for a grant or loan; and verifying that the investment and job creation figures are met.

Moreover, the MSF would be required to post on its internet website the name and location of each qualified business that received a grant, loan, or other economic assistance and the amount of that grant loan, or other economic assistance. Beginning

February 1, 2012, this information would need to be updated every three months. Finally, the MSF would be required to report detailed information on the MBDP to the Legislature on an annual basis. These administrative functions would increase administrative costs for the MSF; however, the costs would be offset by the MSF's ability to use up to 4% of the annual appropriation to the 21st Century Jobs Trust Fund for administrative costs.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.