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BILL ANALYSIS

Senate Fiscal Agency

• Lansing, Michigan 48909

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Senate Bill 975 (as passed by the Senate)
Sponsor: Senator Dick Posthumus
Committee: Commerce and Technology

Date Completed: 6-20-90

RATIONALE

The Economic Development Organization Act of 1988 provides for the creation of economic development organizations, upon the approval of the Department of Commerce, for the coordination of State and local economic development efforts and the promotion of economic development within an area in the State. Specifically, the Act put into statute the Community Growth Alliance (CGA) program that had been created as an Executive initiative and was designed to be a joint effort between the State and local units of government to coordinate and promote economic development programs. The CGA program assists businesses with financial packaging, site selection, marketing, and export efforts, and Federal contract procurement through a network of development offices and business centers. (For more information on the CGA program, see BACKGROUND.) The CGA program was enacted into law in response to claims that the program had been effective in promoting economic development but that it needed the stability and consistency that statutory authority would provide to continue to effect economic growth and diversification. An October 1, 1990, expiration date was included in the Economic Development Organization Act, however, to provide an opportunity to determine whether the CGA program should continue to have statutory authority. Some contend that the program has indeed continued to be successful in promoting economic development and in aiding small businesses and that its statutory authority should be extended.

CONTENT

Mich. State Law Library

The bill would extend the expiration date for the Economic Development Organization Act from October 1, 1990, to October 1, 1992. The Act:

- Provides for the creation of economic development organizations, upon approval of the Department of Commerce, for the coordination of State and local economic development efforts and the promotion of economic development within an area in the State.
- Requires that the business of an economic development organization be conducted by a board of directors, who represent specific interests.
- Outlines the duties of the economic development organization, such as researching an area's economic base, designing and implementing an economic development program, assisting businesses, conducting an area-wide business retention program, and establishing programs to serve small business needs.
- Prescribes the duties of the Department, including requiring reports from each economic development organization that received State funds, annually reviewing each organization's performance, establishing financial accountability procedures, requiring each economic development organization to indemnify the State against any civil liability arising from the organization's actions, requiring each economic development organization to submit annual program budgets and work plans, and making annual grants of State funds to economic development organizations.

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- Requires the Department to enter into written agreements with each economic development organization that prescribed the organization's and Department's duties as to project performance, accountability, use of State funds, budgeting, and other matters determined by the Department.
- Requires the Department to report annually to the Legislature on the amount of the grants awarded, the identity of the recipients, and the use of the grant funds.

MCL 125.2411

BACKGROUND

General Information

According to a brochure from the Department of Commerce, a Community Growth Alliance is a regional coalition of public and private sector representatives interested in economic development. Members come from the business community, elected offices, chambers of commerce, labor, utility companies, development companies, and higher education institutions. Each CGA, which may serve a single county or several counties, is designated by the Governor, based on applications submitted to the Department of Commerce. There currently are about 34 CGAs serving all except the following nine counties: Emmet, Livingston, St. Clair, Shiawassee, Wexford, Missaukee, Luce, Chippewa, and Mackinac.

There are three components to the CGA program: Area Development Offices (ADOs), Small Business Assistance Centers (SBCs), and Local Procurement Offices (LPOs). The CGA's board of directors may choose to contract with units of government, community colleges, chambers of commerce, or other entities for provision of some or all of these programs or may choose to provide the entire program "in-house".

The Area Development Offices, which serve as the base organizations for CGAs, assist businesses with site selection, financial packaging, and local regulation and zoning.

The Small Business Centers provide business planning assistance, informational and training

seminars, resource library and local data bases, export assistance, marketing and sales assistance, and financial planning assistance.

Local Procurement Offices help businesses obtain Federal and State procurement contracts.

Generally, the maximum grant to a CGA from the Department of Commerce for the operation of an ADO is \$50,000 and the maximum grant for the operation of a SBC or LPO is \$75,000. All grants, with the possible exception of a grant to an LPO, must be matched dollar-for-dollar with local funds, and at least 50% of local matching funds must be in cash. An LPO may request a waiver of the match requirement if it can demonstrate that the requirement is a hardship to the community. In some cases, grant awards may exceed the stated maximum limits in order to provide needed funding for specific projects. In such cases, additional match requirements may be determined in accordance with the specific project.

Funding of CGAs

In fiscal year (FY) 1985-86, the Department of Commerce helped several SBCs and ADOs obtain "one-time only" Federal funding through the Community Development Block Grant (CDBG) Program to help pay some of the start-up costs of the SBCs and ADOs. The Department also helped several LPOs obtain Federal funding through the Job Training Partnership Act (JTPA), funds that were to be used for start-up costs "to help prove the LPO's merit as an organization". Part of these Federal funds was received in FY 1986-87. Since Federal funds for start-up costs were not available in FY 1987-88, the Commerce Department proposed to increase the amount of corporate fees used to help fund the CGA program. In FY 1986-87, the CGA program received \$1,985,000 GF/GP funding and \$2,000,000 in corporate fee funding. In FY 1987-88, the GF/GP funding was retained at \$1,985,000 but the corporate funding level was increased to \$3,000,000. The FY 1988-89 Commerce Appropriations Act included \$4,735,900 for the program, of which \$3,334,500 was financed from securities fees and \$1,401,400 from corporate fees.

FISCAL IMPACT

The bill would have no fiscal impact on State or local government. The initial legislation (Public Act 409 of 1988) put the existing Department of Commerce Community Growth Alliances program into statute; it did not start a new program. The extension of the expiration date for the Economic Level of the Act should not have an impact on the program. For FY 1989-90, the Regulatory Appropriations Bill (Public Act 198 of 1989) includes \$5,000,000 from corporation and securities fees for the Community Growth Alliance program.

ARGUMENTS

Supporting Argument

Extending the expiration date on the Economic Development Organization Act would enable the Community Growth Alliance program to continue its successful efforts to promote economic expansion and diversification under the protection provided by the law. By retaining a sunset date, the bill would ensure the Legislature the opportunity to evaluate the program at a later date to determine whether its statutory authority should be continued.

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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.