Legislative Analysis

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MICHIGAN DEFENSE CENTER

Senate Bill 138
Sponsor: Sen. Valde Garcia
Senate Committee: Economic Development and Regulatory Reform
House Committee: New Economy and Quality of Life

Complete to 11-19-10

A SUMMARY OF SENATE BILL 138 AS PASSED BY THE SENATE

Public Act 317 of 2006 created a new act to establish the Defense Contract Coordination Center in the Michigan Strategic Fund. The Center was part of the 21st Century Jobs Trust Fund Program. PA 317 took effect on July 20, 2006, and is due to be repealed five years after its enactment.

Senate Bill 138 would eliminate the repealer, thus extending the act indefinitely.

(House Bill 6526 would also eliminate this repealer. That bill was reported from the Committee on New Economy and Quality of Life and has passed the House.)

Senate Bill 138 would change the name of the center to the ***Michigan Defense Center***. It also would repeal a section of the current act but move that section's provisions elsewhere, resulting in no substantive change.

In addition, the bill would add a reporting requirement on procurement technical assistance centers or other entities that receive grants or loans from the Defense Center. Such a recipient would have to report the following information to the Defense Center at least once each year both a description of how the funds have been put to use and the number of defense or homeland security contracts received in the immediately preceding year.

BACKGROUND INFORMATION:

Under Public Act 317, the Defense Contract Coordination Center must do all of the following:

-- Focus solely on job creation and job retention from business opportunities associated with the Procurement Technical Assistance Center (PTAC) for homeland security and defense contracts and contracts related to homeland security and defense.
-- Coordinate with procurement technical assistance centers in the state to maximize homeland security and defense business opportunities for small businesses and small business innovation research programs located in Michigan. The term "small business" means a business with fewer than 400 employees.

-- Give priority to bringing these business opportunities to municipalities hardest hit by manufacturing layoffs. The term "municipality" means a township, village, city, or county.

-- Set a performance objective of increasing defense and homeland security contracts awarded to businesses located in Michigan by 25% by the time the act is repealed.

-- Provide resources needed to meet the performance objective within one year of enactment.

-- Coordinate with businesses and nonprofit organizations located in Michigan for the purposes of maximizing homeland security and defense business opportunities.

The Center is required to coordinate its efforts with programs funded with proceeds from the 21st Century Jobs Trust Fund and other initiatives that are targeted toward commercialization activities related to homeland security and defense research and development in higher education institutions, research centers, and other businesses working in the homeland security and defense arena.

FISCAL IMPACT:

By eliminating the sunset on the Defense Contract Coordination Center (DCCC) in the Michigan Strategic Fund (MSF), the DCCC (renamed Michigan Defense Center in the bill) would require operational funding from the 21st Century Jobs Trust Fund (Fund). The annual expense for the DCCC has run from approximately $500,000 at its inception to approximately $3.5 million annually when operating at full capacity. The DCCC received an original appropriation of $10.0 million in FY 2006 that was used to start the program, fund various grants, create directories, and pay for contractual professional services in obtaining defense contracting opportunities, as well as staffing costs. In FY 2011, the MSF estimated a total allocation of $3.5 million to the DCCC. Funding for FY 2011 will come from FY 2010 21st Century Jobs Trust Fund carry-forward ($2.0 million); remaining FY 2006 funding ($500,000); and FY 2011 21st Century Jobs Trust Fund appropriations ($1.0 million). It is anticipated that the original $10.0 million allocation from FY 2006 will be exhausted in early FY 2011. In future fiscal years, the total operational cost for the DCCC would come from the Fund. Total funding in any given year would depend on the size of the DCCC program.

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