

# Legislative Analysis



## OFFICE OF SMALL BUSINESS DIRECTOR AND OTHER SMALL BUSINESS REFORMS

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<http://www.house.mi.gov/hfa>

**House Bill 4835 as introduced**  
**Sponsor: Rep. Tommy Brann**

Analysis available at  
<http://www.legislature.mi.gov>

**House Bill 4836 as introduced**  
**Sponsor: Rep. Diana Farrington**

**House Bill 4837 as introduced**  
**Sponsor: Rep. Eric Leutheuser**

**House Bill 4838 as introduced**  
**Sponsor: Rep. Donna Lasinski**

**Committee: Commerce and Tourism**  
**Complete to 10-17-19**

### SUMMARY:

House Bills 4835 through 4838 would amend the Michigan Strategic Fund Act and the Management and Budget Act, and create a new act, to create the Office of Small Business Director and the Small Business Growth Acceleration Board, along with enacting other changes intended to aid small business growth.

#### **HB 4835 – Small Business Growth Acceleration Board**

House Bill 4835 would add Chapter 7A to the Michigan Strategic Fund Act to create the Small Business Growth Acceleration Board as an advisory body in the Michigan Strategic Fund (MSF). The board would advise MSF, the governor, and the legislature on the creation, management, and appropriate scale of programs to promote small business growth in the state.

The principal executive officer of the board would be the small business administrator, who would be appointed by the governor with the advice and consent of the Senate. The administrator would have to be qualified by training and experience to perform the duties and exercise the powers of the administrator and the board. The governor could remove the administrator from office for cause, including incompetence, official misconduct, habitual or willful neglect of duty, or other misfeasance or malfeasance in connection with the operation of the board, and would have to report the reason for the removal to the legislature. The administrator could not be actively involved in political party activities or publicly endorse or donate to any political party or candidate. The administrator also could not have a second job or profession if it detracted from his or her full-time performance as administrator or presented a conflict of interest or appearance of impropriety.

The board would consist of the following members, appointed by the governor, who would have to be state residents with small business experience:

- The small business administrator, as chairperson.
- The small business director, as proposed by HB 4838 (see below).

- Three individuals, including one who is a minority business owner and one who is a woman business owner.
- One individual appointed from a list of two or more individuals nominated by the Senate Majority Leader.
- One individual appointed from a list of two or more individuals nominated by the Speaker of the House of Representatives.

The board's first members would be appointed within 90 days after the bill took effect. Board members would serve for terms of four years or until a successor is appointed. The terms of the members first appointed would be staggered, with two members serving for two years and three for three years. If a vacancy occurred on the board, the governor would appoint a new member to serve out the rest of the term in the same manner as the original appointment. The governor could remove a member of the board for cause.

A majority of the board members would constitute a quorum for the transaction of business at board meetings. A majority vote from the members present would be required for any official action of the board. All business performed by the board would have to be conducted in public meetings in compliance with the Open Meetings Act. Any writing prepared, owned, used, possessed, or retained by the board in the performance of an official function would be subject to the Freedom of Information Act. Members of the board would serve without compensation, but could be reimbursed for any expenses incurred in conducting their official duties.

The board would have to identify, prioritize, and recommend small business growth acceleration services and programs that required government involvement and attention.

The board could also do any of the following:

- Develop and recommend acceleration services for small businesses, such as mentor-match initiatives, consultant matching, resource navigation, peer support services, and performance metrics that track outcomes of state investments.
- Create a system that tracks the needs of small businesses to match them with appropriate service providers and measure outcomes.
- Implement a strategy that leverages public and private funding for service providers and small businesses to help accelerate growth.
- Assist in awarding state contracts to qualified small businesses by removing barriers to small businesses, including:
  - Developing small business certification for the procurement process.
  - Setting goals or expectations of contracts awarded.
  - Establishing a recognition or reward for businesses with large state contracts for subcontracting with certified small businesses.

Proposed MCL 125.2079a, 125.2079b, and 125.2079c

### **HB 4836 – Virtual Business Road Map**

House Bill 4836 would amend the Michigan Strategic Fund Act to require MSF, in conjunction with the Department of Licensing and Regulatory Affairs (LARA) and the Department of Treasury, to investigate the feasibility of developing and operating a virtual business road map created by a third-party vendor that does all of the following:

- Using a question-and-answer format, identifies possible legal entities for the conduct of the applicant’s business and assists in applying for one or more legal entity designations with the state.
- Assists users with state compliance issues, including sales tax, use tax, unemployment compensation, and workers’ compensation issues, and assists the applicant in identifying and applying for the appropriate licenses, certificates, and other state government authorizations.
- Links to other business startup resources in state, local, and federal government.

MSF would have to contract with one or more third-party vendors to investigate the feasibility of developing and operating the virtual business road map. MSF would have to select one or more third-party vendors that can use the most appropriate technology to use the most appropriate technology to make the virtual business roadmap user-friendly.

MSF would have to report its findings to the governor and each house of the legislature no later than October 1, 2020.

Proposed MCL 125.2015

### **HB 4837 – Small Business Liaisons**

House Bill 4837 would amend the Management and Budget Act to require the Department of Technology, Management, and Budget (DTMB) to issue directives to every state agency that investigates, inspects, or monitors small businesses in the state to create a small business liaison within that agency.

Each liaison would have to be an expert on small business issues and would have the following responsibilities:

- To act as a small business resource and assist small businesses with any interactions with the agency.
- To facilitate interactions with other state agencies that may be beneficial to a small business.
- To act as a point person who is primarily accountable for that agency to address all small business concerns and issues.
- To have the depth of knowledge and experience across government to serve as the information and communication representative for that agency, along with the ability to provide guidance and assistance to small businesses.
- To be able to provide accurate, neutral, and reliable information to small businesses while balancing the needs of the industry with the needs of state government to perform its statutory roles and responsibilities.

Proposed MCL 18.1449

### **HB 4838 – Office of Small Business Director**

House Bill 4838 would create a new act to create the Office of Small Business Director within the Department of Labor and Economic Opportunity (DLEO). The office would have to do all of the following:

- Facilitate the creation and retention of small business jobs in Michigan.
- Create and operate a one-stop internet website for small businesses that is a comprehensive economic development resource for small businesses in the state and that does all of the following:
  - Provides step-by-step instructions on the government requirements of how to start and operate a business in Michigan.
  - Contains a searchable database that directs job providers to the websites of all relevant business organizations and government entities governing their business based on location and type of business.
  - Identifies appropriate academic programs, personnel, and resources in Michigan colleges and universities that are available to help small businesses and strengthen entrepreneurial activities.
- Assist in communicating small business concerns to the proper state agencies, assist in connecting small business to the proper agencies, follow inquiries through to completion, and ensure that each case gets an appropriate response. Cases not appropriately responded to by the proper department or state agency would be forwarded to the director of DLEO for resolution.
- Mediate disputes between state agencies and small businesses.
- Coordinate programs across state government to create and retain small business jobs in Michigan.
- Aid and assist small businesses and entrepreneurs in Michigan.
- Work to create a business environment that encourages and sustains entrepreneurship in Michigan.
- Work to empower entrepreneurs to take advantage of the opportunities the market offers in Michigan.
- Facilitate the promotion of a positive customer service culture of state employees who interact with the public.

### **FISCAL IMPACT:**

**House Bill 4835** could increase costs for MSF. Members of the board would receive no compensation, but members would be reimbursed for their actual and necessary expenses incurred in the performance of their official duties. These costs likely would be marginal. The activities of the board outlined in the bill could impose certain administrative and operational costs. No funding is appropriated for board administration or operations in the bill. Financing the identified costs would be subject to legislative appropriation or the ability of MSF to absorb costs within its current appropriations.

**House Bill 4836** would increase costs for MSF by an unknown amount. The bill requires MSF to contract with one or more third-party vendors to investigate the feasibility of developing and operating the virtual business roadmap. The cost of the contract(s) is

unknown. Any funding for the contract(s) would be subject to legislative appropriation or the ability of MSF to absorb the costs within its current appropriations.

**House Bill 4837** would increase costs for many Executive Branch departments. The total estimated cost to the state of hiring an additional staff member to fulfil the role of the small business liaison position would be between \$750,000 and \$1.1 million. This estimate is based on the average state cost of an FTE position and the presumed number of departments and agencies that would be required to create a position. An additional staff member would likely, but not necessarily, need to be hired to adequately fulfill the responsibilities of the small business liaison position required under the bill, since an existing staff member may be able to fill the role.

Based on brief assessments of the responsibilities and services of state department and agency, the following departments and agencies would each be required to create a small business liaison position within each of them at a cost of approximately \$107,000: Department of Attorney General, the Department of State, Department of Technology, Management, and Budget, Department of Licensing and Regulatory Affairs, Department of Environment, Great Lakes and Energy, Department of Health and Human Services, Treasury, and Department of Labor and Economic Opportunity.

**House Bill 4838** would increase costs for DLEO by an indeterminate amount. The major cost components would be staffing and the corresponding administrative costs associated with fulfilling the functions of the office, including the development of a one-stop internet website. The number of staff considered necessary to conduct its business is unknown. The average cost for a state employee wage and benefit package is approximately \$109,000. Additional costs would include office building occupancy charges, materials, supplies, and other associated administrative costs. No funding is appropriated for these purposes in the bill. Financing the identified costs would be subject to legislative appropriation or the ability of DLEO to absorb the costs within its current appropriations.

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