

Legislative Analysis



SMALL BUSINESS GROWTH ACCELERATION BOARD

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4835 (H-2) as referred to second committee
Sponsor: Rep. Tommy Brann

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

House Bill 4836 (H-1) as referred to second committee
Sponsor: Diana Farrington

1st Committee: Commerce and Tourism
2nd Committee: Ways and Means
Complete to 2-23-20

BRIEF SUMMARY: House Bills 4835 and 4836 would amend the Michigan Strategic Fund Act to create the Small Business Growth Acceleration Board and require the Michigan Strategic Fund (MSF) to look into developing a virtual business road map to help small businesses in this state.

FISCAL IMPACT: The bills would increase costs for MSF by an unknown amount. (See **FISCAL INFORMATION**, below, for further discussion.)

THE APPARENT PROBLEM:

Most businesses in Michigan are small—that is, they employ fewer than 100 people. According to the U.S. Small Business Administration, 49.2% of Michigan’s employees work for the state’s 870,301 small businesses.¹ Small businesses also play a large role in the state’s economic growth, creating a net total of 66,240 jobs in 2018 alone. Some feel that if the state wishes to encourage economic growth, it can best start by fostering small business growth. Legislation has been offered that would create a Small Business Growth Acceleration Board and explore developing a virtual business road map to help small businesses in this state.

THE CONTENT OF THE BILLS:

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 MSF. The board would advise MSF and the governor 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

¹ US Small Business Administration, “Small Business Profile - Michigan”,
<https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-MI.pdf>

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 seven members, appointed by the governor, who would have to be state residents with small business experience:

- The small business administrator, as chairperson.
- Four individuals, including one who is a minority business owner, one who is a veteran, 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. 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 performing an official function would be subject to the Freedom of Information Act (FOIA). 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

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, 2021.

Proposed MCL 125.2015

FISCAL INFORMATION:

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.

ARGUMENTS:

For:

Supporters argue that the bills would fill a sizeable blind spot in Michigan's business development policies. They argue that most of Michigan's business assistance policies are targeted at either start-ups or large business expansion and that not enough assistance is given to "second-stage" companies that have gotten past the start-up phase but are not yet big enough to expand. These companies, employing from 10 to 99 people and making less than \$50 million a year, create thousands of new jobs each year but often need assistance in making the right

connections and finding the right resources to make it to the next level. To this end, HB 4835 would support more acceleration services for small businesses and HB 4836 would help businesses navigate regulatory requirements when making important business decisions.

Against:

Opponents of the bills argue that the best thing that state government can do for small businesses is to be less involved in their affairs. While state policy should be focused on creating a regulatory environment in which businesses at all stages of development can thrive, some argue, these bills could end up hurting small businesses by helping government bureaucrats push through economic policies that are ideologically motivated or designed to look good to voters rather than attending to the actual needs of Michigan's small business entrepreneurs.

POSITIONS:

Representatives of the following organizations testified in support of the bills (10-17-19):

Small Business Association of Michigan
Marana Group

The following organizations indicated support for the bills (10-17-19):

Lansing Regional Chamber of Commerce
Detroit Regional Chamber

A representative of the National Federation of Independent Business testified in opposition to the bills. (10-17-19; and indicated opposition 10-24-19)

The Grand Rapids Chamber indicated opposition to the bills. (10-24-19)

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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.