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Senate Bill 850

Sponsor: Senator Dick Posthumus

Committee: Commerce and Technology

Date Completed: 5-10-88

SUMMARY OF SENATE BILL 850 as introduced 5-5-88:

The bill would create the "Economic Development Organization Act" to:

- Provide 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.
- Require that the business of an economic development organization be conducted by a board of directors, who represented various interests as specified in the bill.
- Outline the duties of the economic development organization, including, 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.
- Prescribe 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.
- Require 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.

Establishment

Upon application of one or more counties, or, in the case of an area characterized by significant population and economic activity as determined by the Department upon application, of a group of municipalities and the private sector, the Department could approve the establishment of an economic development organization to coordinate State and local economic development efforts and to promote economic development within an area of the State.

"Municipality" would mean a county, city, village, or township within the State. "Private sector" would mean business, industry, financial institutions, organized labor, utilities, and related organizations and institutions within a municipality.

The Director of the Department would be required to approve or disapprove an application to form an organization within 40 days after the application was received, unless further information in support of the application was reasonably required, in which case the application would have to be approved or disapproved within 60 days after all the required information was received by the Department.

Board of Directors

An organization's business would have to be conducted by a board of directors that consisted of at least nine members, a majority of whom represented private sector interests. The members of the original board would have to be named in the application submitted to the Department for establishment of an organization. Successor members would have to be appointed in a manner and for terms as prescribed in the organization's bylaws.

Each board member would have to have significant involvement in the economic activities of the area served by the organization, and would have to represent the following interests: private business and industry; municipalities; local economic development or community development organizations; chambers of commerce; financial institutions; organized labor; educational institutions, including schools, colleges, and universities; and utilities.

Powers of Economic Development Organization

An economic development organization, in cooperation with the Department, could do all of the following:

- Act as the agency for State and local economic development activities in a specific county or multi-county area, and receive and expend annual State funds granted under the bill for the duties described in the bill.
- Conduct research on the area's economic base, including manufacturing, agriculture, tourism, and services; identify key business and industry sectors in the area economy; and engage in other activities which contributed to the economic development strategies and plans for the area served by the organization.
- Design and implement a formal economic development program, with well-defined objectives and completion dates, focused on local economic-base needs and opportunities, such as manufacturing, services, agriculture, tourism, and related sectors.
- Assist businesses in site selection, financial packaging, and dealing with State and local regulations.

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- Create promotion, advertising, and publicity for the area and cooperate as participants in this State's national and international marketing efforts.
- Create and maintain a current economic profile and data base of community information for the economic development program, including industrial parks, lands, and buildings; and, routinely report this information to the Department.
- Conduct an area-wide business retention program coordinated with the Department and focused on economic-based industries.
- Establish programs to serve the needs of small business, including business planning assistance, informational and training seminars, community information, and marketing assistance for new and established businesses.
- Establish government procurement and export assistance programs aimed at increasing sales and employment by local suppliers of products and services.
- Coordinate economic development programs with related programs provided by other agencies serving the area.

Department Duties

In addition to the duties already prescribed in the bill, the Department would be required to do all of the following:

- Require periodic reports from each organization that received State funds under the bill, and review and evaluate the performance of each organization at least once each year in accordance with the annual work plan required in the bill, and any other information submitted to the Department by the organization.
- Establish appropriate financial accountability and audit procedures for organizations.
- Require each organization to indemnify the State against civil liability arising from the actions of the organization.
- Require each organization to submit annual program budgets and annual work plans, and to obtain the approval of the Department for any changes in the budget or annual work plan.
- Require each organization to comply with applicable Federal and State laws requiring equal employment opportunity and guaranteeing civil rights.
- Make annual grants to organizations of State funds appropriated for that purpose. Whenever an organization substantially failed to comply with the terms of a grant of State funds, or failed to make reasonable progress toward the completion of its programs, the Department would be required to suspend grant payments or prohibit the organization from incurring additional obligations, or both, until the organization took corrective action that satisfied the Department. If the organization did not take the corrective action that the Department required, the Department could reduce or terminate the grant for that year and could make any subsequent annual grants conditional upon meeting reasonable requirements specified by the Department.

Written Agreements

The Department would be required to enter into written agreements with each organization. The agreements would have to prescribe the duties of the organization and the Department as to project performance, accountability, eligible uses of State funds, budgeting and audits, and other matters determined by the Department in implementing the bill.

Legislative Analyst: L. Afasim

FISCAL IMPACT

The bill would have no fiscal impact on State and local government. The bill would put the current Department of Commerce - Community Growth Alliances (CGA) program into statute; it would not start a new program. The bill would define the relationship between the State and the local CGA programs. Public Act 127 of 1987 appropriated \$3 million funded by corporate fees, and \$2 million from GF/GP to the CGA programs for FY 1987-88. The Governor has recommended appropriating \$6 million funded by corporate fees for FY 1988-89.

Fiscal Analyst: J. Schultz

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.