

HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 79

A bill to make appropriations for the Michigan strategic fund and certain other state purposes for the fiscal year ending September 30, 2000; to provide for the expenditure of the appropriations; and to provide for the disposition of fees and other income received by the state agencies.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

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PART 1

LINE-ITEM APPROPRIATIONS

Sec. 101. There is appropriated for the Michigan strategic fund for the fiscal year ending September 30, 2000, from the funds indicated in this part, the following:

**MICHIGAN STRATEGIC FUND**

APPROPRIATION SUMMARY:

Full-time equated classified positions.....241.0

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For Fiscal Year Ending  
September 30, 2000

1	GROSS APPROPRIATION.....	\$	118,629,800
2	Interdepartmental grant revenues:		
3	Total interdepartmental grants and intradepartmental		
4	transfers.....		100,000
5	ADJUSTED GROSS APPROPRIATION.....	\$	118,529,800
6	Federal revenues:		
7	Total federal revenues.....		53,203,200
8	Special revenue funds:		
9	Total local revenues.....		0
10	Total private revenues.....		656,700
11	Total other state restricted revenues.....		50,000
12	State general fund/general purpose.....	\$	64,619,900
13	<b>Sec. 102. MICHIGAN STRATEGIC FUND</b>		
14	Full-time equated classified positions.....		241.0
15	Administration--40.0 FTE positions.....	\$	5,337,100
16	Job creation services--144.0 FTE positions.....		16,558,800
17	Global business development--30.0 FTE positions.....		4,265,900
18	Travel administration/travel commission--27.0 FTE		
19	positions.....		3,712,800
20	Michigan promotion program.....		8,042,500
21	Economic development job training grants.....		30,712,700
22	Community development block grants.....		<u>50,000,000</u>
23	GROSS APPROPRIATION.....	\$	118,629,800
24	Appropriated from:		
25	Interdepartmental grant revenues:		
26	IDG-MDEQ, air quality fees.....		100,000

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For Fiscal Year Ending  
September 30, 2000

1	Federal revenues:	
2	DOL-ETA, employment service.....	1,300,000
3	HUD-CPD, Community development block grant.....	51,903,200
4	Special revenue funds:	
5	Private-Michigan certified development corporation	
6	fees.....	156,700
7	Private-special project advances.....	500,000
8	Industry support fees.....	50,000
9	State general fund/general purpose..... \$	64,619,900

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PART 2

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PROVISIONS CONCERNING APPROPRIATIONS

14 **GENERAL SECTIONS**

15 Sec. 201. (1) Pursuant to section 30 of article IX of the state  
16 constitution of 1963, total state spending from state sources for fiscal  
17 year 1999-2000 is estimated at \$64,669,900.00 in this act and state  
18 spending from state sources paid to local units of government for fiscal  
19 year 1999-2000 is estimated at \$30,712,700.00. The itemized statement  
20 below identifies appropriations from which spending to units of local  
21 government will occur:

22 MICHIGAN STRATEGIC FUND

23	Economic development job training grants..... \$	<u>30,712,700</u>
24	Total Michigan strategic fund..... \$	30,712,700

25 (2) If it appears to the principal executive officer of a department  
26 or branch that state spending to local units of government will be less  
27 than the amount that was projected to be expended under subsection (1),

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1 the principal executive officer shall immediately give notice of the  
2 approximate shortfall to the state budget director, the house and senate  
3 appropriations committees, and the house and senate fiscal agencies.

4 Sec. 202. As used in this appropriation act:

5 (a) "CDBG" means community development block grant.

6 (b) "DOL" means the United States department of labor.

7 (c) "DOL-ETA" means the DOL employment and training act.

8 (d) "Fiscal agencies" means the Michigan house fiscal agency and  
9 the Michigan senate fiscal agency.

10 (e) "FTE" means full-time equated.

11 (f) "Fund" means the Michigan strategic fund.

12 (g) "HUD-CPD" means HUD community planning and development.

13 (h) "IDG" means interdepartmental grant.

14 (i) "MDEQ" means the Michigan department of environmental quality.

15 (j) "President" means president of the Michigan strategic fund.

16 Sec. 203. The appropriations made and the expenditures authorized  
17 under this act and the departments, agencies, commissions, boards,  
18 offices, and programs for which an appropriation is made under this act  
19 are subject to the management and budget act, 1984 PA 431, MCL 18.1101 to  
20 18.1594.

21 Sec. 204. A department or agency billed by the department of civil  
22 service for the 1% charge authorized by section 5 of article XI of the  
23 state constitution of 1963 by the end of the first fiscal quarter shall  
24 pay the total amount of the billing by the end of the second fiscal  
25 quarter.

26 Sec. 205. (1) The fund shall submit to the department of management  
27 and budget, the house and senate appropriations committees, the house and

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1 senate fiscal agencies, and the house and senate standing committees with  
2 jurisdiction over technology issues quarterly reports on the fund's  
3 efforts to change the fund's computer software and hardware as necessary  
4 to perform properly in the year 2000 and beyond. These reports shall  
5 identify actual progress in comparison to the fund's approved work plan  
6 for these efforts.

7 (2) Beginning with the report on April 1, 2000, the fund shall  
8 submit to the department of management and budget, the senate and house  
9 of representatives standing committees on appropriations, the senate and  
10 house fiscal agencies, and the senate and house standing committees  
11 having jurisdiction over technology issues quarterly reports identifying  
12 for the immediately preceding quarter any problems with information sys-  
13 tems, any occurrences of information system failure as a result of non-  
14 compliance with year 2000 standards, and any previously unidentified area  
15 of impact. These reports shall identify all systems needing corrective  
16 action and the contractual obligations of all accountable parties. These  
17 reports shall give the status of the progress made in repairing and test-  
18 ing applications, the status of all vendor-supplied solutions to prob-  
19 lems, information on the activation of manual or contract processes used  
20 to correct problems, and an itemization of the additional costs  
21 incurred.

22 (3) The fund may present progress billings to the department of man-  
23 agement and budget for the costs incurred in changing computer software  
24 and hardware as necessary to perform properly in the year 2000 and  
25 beyond, and for costs incurred as a result of initiating corrective  
26 actions. At the time progress billings are presented for reimbursement,  
27 the fund shall identify the funding sources that should support the work

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1 performed, and the department of management and budget shall forward the  
2 appropriate funding.

3       Sec. 206. The fund shall provide a report prepared by the fund's  
4 internal auditor on the activities of the internal auditor for the prior  
5 fiscal year. This report shall include a listing of each audit or inves-  
6 tigation performed by the internal auditor pursuant to sections 486(4)  
7 and 487 of the management and budget act, 1984 PA 431, MCL 18.1486 and  
8 18.1487. The report shall identify the proportion of time spent on each  
9 of the statutory responsibilities listed in sections 485(4), 486(4), and  
10 487 of the management and budget act, 1984 PA 431, MCL 18.1485, 18.1486,  
11 and 18.1487, and the time spent on all other activities performed in the  
12 internal audit function. The first report shall be due on March 1, 2000  
13 and biennially thereafter beginning on May 1, 2001 and shall be submitted  
14 to the governor, auditor general, the senate and house appropriations  
15 committees, the senate and house fiscal agencies, and to the fund.

16       Sec. 207. (1) Beginning October 1, 1999, a hiring freeze is imposed  
17 on the state classified civil service. State departments and agencies  
18 are prohibited from hiring any new full-time state classified civil serv-  
19 ice employees and prohibited from filling any vacant state classified  
20 civil service positions. This hiring freeze does not apply to internal  
21 transfers of classified employees from 1 position to another within a  
22 department or to positions that are funded with 80% or more federal or  
23 restricted funds.

24       (2) The state budget director shall grant exceptions to this hiring  
25 freeze when the state budget director believes that the hiring freeze  
26 will result in rendering a state department or agency unable to deliver  
27 basic services. The state budget director shall report by the fifteenth

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1 of each month to the chairpersons of the senate and house of  
2 representatives standing committees on appropriations the number of  
3 exceptions to the hiring freeze approved during the previous month and  
4 the reasons to justify the exceptions.

5       Sec. 208. Of the funds appropriated in part 1 that are in units  
6 other than the grants unit, a department or agency shall not provide  
7 grants to local government agencies, institutions of higher education, or  
8 nonprofit organizations unless the department or agency provides notice  
9 of the grant to the appropriate subcommittees of the house and senate  
10 appropriations committees at least 10 days before the grant is issued or  
11 at least 72 hours before any announcement to local governmental units or  
12 the public.

13       Sec. 209. (1) The president shall take all reasonable steps to  
14 ensure businesses in deprived and depressed communities compete for and  
15 perform contracts to provide services or supplies or both for the  
16 Michigan strategic fund.

17       (2) The president shall strongly encourage firms with which the  
18 department contracts to subcontract with certified businesses in  
19 depressed and deprived communities for services or supplies or both.

20       Sec. 210. Money appropriated in part 1 shall not be used for the  
21 purchase of foreign goods or services when competitively priced and of  
22 comparable quality American goods or services are available.

23       Sec. 212. Sixty days before beginning any effort to privatize, the  
24 fund shall submit a complete project plan to the appropriate house and  
25 senate appropriations subcommittees and the house and senate fiscal  
26 agencies. The plan shall include the criteria under which the  
27 privatization initiative will be evaluated. The evaluation shall be

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1 completed and submitted to the appropriate house and senate  
2 appropriations subcommittees and the house and senate fiscal agencies  
3 within 30 months.

4       Sec. 213. All reports required in this act shall be made available  
5 to the public primarily through Internet access, unless a printed version  
6 is requested. The Michigan strategic fund shall provide electronic noti-  
7 fication to all legislative offices for specific reports requested by the  
8 legislature.

9       Sec. 214. The fund shall not permit any other department, agency,  
10 or office of this state to use funds or FTE positions authorized for the  
11 fund or allow any funds or FTE positions from any other department,  
12 agency, or office to be used within the fund without a 30-day notice  
13 given to the appropriate subcommittees of the house and senate appropria-  
14 tions committees.

15 **MICHIGAN STRATEGIC FUND**

16       Sec. 301. (1) The appropriation in part 1 to the fund for economic  
17 development job training shall be expended for competitive grants that  
18 ensure employers have the trained workers they need to compete in the  
19 global economy. The fund shall expedite grant awards for employers  
20 locating or expanding in Michigan and thereby creating significant num-  
21 bers of new jobs in the state.

22       (2) Not more than 2% of the total grant, administration, and operat-  
23 ing funds appropriated in part 1 for the fund's economic development job  
24 training grants program may be expended for administrative costs.

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1 (3) No funds appropriated in part 1 to the department of Michigan  
2 jobs commission for economic development job training grants may be  
3 expended for the training of permanent striker replacement workers.

4 (4) Seventy percent of the economic development job training grant  
5 funds, except for any amount up to \$6,000,000.00 which is utilized for  
6 the development of web-based or other distance learning training which  
7 has the substantial potential for lowering training costs and improving  
8 access, shall be awarded to community colleges or a consortium of commu-  
9 nity colleges and other eligible applicants pursuant to the requirements  
10 of this section.

11 (5) Training grants provided by private sector trainers may reach or  
12 exceed 20% of total grants, but not less than 10%.

13 (6) An applicant may be a district, intermediate district, community  
14 college, public or private nonprofit college or university, nonprofit  
15 organization whose primary purpose is to provide education programs or  
16 employment and training services or vocational rehabilitation programs or  
17 school-to-work transition programs, local workforce development board,  
18 the headquarters of a federal and state sponsored manufacturing technol-  
19 ogy center, or a consortium consisting of any combination of districts,  
20 intermediate districts, community colleges, nonprofit organizations  
21 described in this subsection, or public or private nonprofit colleges or  
22 universities described in this subsection.

23 (7) On or before October 1, 1999, the fund shall publish proposed  
24 application criteria, instructions, and forms for use by eligible  
25 applicants. The fund shall provide at least a 2-week period for public  
26 comment prior to finalization of the application criteria, instructions,  
27 and forms.

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1 (8) Applications for all grants shall be submitted to the fund, and  
2 each application shall contain at least all of the following:

3 (a) The name, address, and total number of employees of each busi-  
4 ness organization whose employees are receiving job training.

5 (b) A description of the specific job skills that will be taught.

6 (c) A clear statement of the project's scope of activities, number  
7 of participants to be involved, the number of participants who have been  
8 an employee of the business organization for at least 30 days before the  
9 date of application who are at risk of becoming unemployed unless trained  
10 in the program and the number of participants who are either a new  
11 employee within 30 days of the date of application or who will become a  
12 new employee of the business organization as a result of the individual's  
13 participation in the program.

14 (d) A commitment to maintain participant records in a form and  
15 manner required by the fund.

16 (e) A budget which relates to the proposed activities and various  
17 program components and which demonstrates whether the estimated costs are  
18 reasonable and justified.

19 (9) Priority in the fund's awarding of grants shall be based on the  
20 following criteria:

21 (a) Demonstrated need for the type of training offered and prospects  
22 for participant job placement or job retention and for strengthening the  
23 state's economic base.

24 (b) The average state unemployment rate for the 12-month period  
25 immediately preceding application for state grant assistance for the  
26 locality of the business organization.

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1 (c) The number of persons who will become employed as a result of  
2 participation in the proposed program and the number of persons at risk  
3 of becoming unemployed to be trained in the program.

4 (d) Qualifications of the project director and key personnel who  
5 will be used in the program.

6 (e) Cost per participant and participant contact hours of training.

7 (f) Strength of commitment to guaranteed job placement upon comple-  
8 tion of training.

9 (g) Other criteria determined by the fund to be important.

10 (h) The development of web-based or other distance learning training  
11 programs which have the substantial potential for lowering training costs  
12 and improving access to training programs.

13 (10) Not more than \$5,000,000.00 of the amount appropriated in part  
14 1 for economic development job training may be allocated to rapid  
15 response grants for employee training programs which maintain or attract  
16 permanent jobs for Michigan residents. A grant under this subsection  
17 shall be awarded to eligible applicants under subsection (1)(a) by the  
18 president of the fund.

19 (11) Participants in economic development job training programs  
20 shall be 16 years or older and not enrolled and counted in membership in  
21 a school district or intermediate school district.

22 (12) A grant awarded under this section may extend beyond the end of  
23 the fiscal year in which the grant is awarded and the funds awarded for  
24 the grant may be carried over into the next fiscal year for payment in  
25 the next fiscal year. Unexpended and unencumbered amounts remaining in  
26 the fiscal year ending September 30, 2000, from economic development job  
27 training grants awarded prior to September 15, 1999, may be used to award

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1 additional economic development job training grants during the fiscal  
2 year ending September 30, 2000.

3 (13) A recipient of a grant under this section shall not charge  
4 tuition or fees to participants in the program funded by the grant.  
5 However, a nonprofit organization may charge tuition or fees if the  
6 tuition plan or fees are recognized by the state and the nonprofit organ-  
7 ization receives additional funding from other governmental or private  
8 funding sources for its programs.

9 (14) If a participant in a program funded under this section is an  
10 employee of a business organization whose employees are receiving job  
11 training under the program and the participant was an employee of that  
12 business organization prior to 30 days before the date of the grant  
13 application, the business organization shall provide at least 25% of the  
14 program's costs, excluding the costs of participants' wages for the time  
15 participants are involved in program training. For purposes of meeting  
16 the 25% match requirement, small business organizations with 250 or fewer  
17 employees worldwide at the time of application may include the costs of  
18 pretraining needs assessments and wages paid to participants while  
19 enrolled in training. This subsection does not apply to an individual  
20 who becomes a new employee of a business organization as a result of the  
21 individual's participation in the program.

22 (15) A grant awarded to an economic development job training grant  
23 recipient that guarantees a predetermined number of specified jobs for  
24 new employees that are directly related to the participant's area of  
25 training or for existing employees shall be paid to the grant recipient  
26 according to the following schedule:

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1 (a) 40% of the grant amount shall be paid within 30 days after the  
2 grant is awarded.

3 (b) 40% of the grant amount shall be paid at the completion of the  
4 training period, after the grant recipient submits to the fund an interim  
5 report specifying actual costs of the training program and training out-  
6 comes of the students.

7 (c) 20% of the grant amount shall be paid at the conclusion of the  
8 grant period, as determined by the fund.

9 (16) A recipient of a grant under this section shall allow the fund  
10 or the agency's designee to audit all records related to the grant for  
11 all entities that receive money, either directly or indirectly through a  
12 contract, from the grant funds. A grant recipient or contractor shall  
13 reimburse the state for all disallowances found in the audit.

14 (17) The fund shall provide to the state budget director and the  
15 fiscal agencies by April 15 and November 1 of each year a report on the  
16 economic development job training grants. The report due by April 15  
17 shall provide the information described in this subsection for each grant  
18 or contract awarded during the preceding 2 quarters of the state fiscal  
19 year. The report due by November 1 shall provide this information for  
20 each grant or contract awarded during the preceding full fiscal year.  
21 The report shall contain all of the following:

22 (a) The amount and recipient of each grant or contract.

23 (b) The number of participants under each grant or contract and the  
24 number of new hires who are in training under the grant.

25 (c) The names, addresses, and total number of employees of all busi-  
26 ness organizations for whom training is or will be provided.

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1 (d) The names and addresses of any companies and training providers  
2 utilizing web-based or other distance learning training formats along  
3 with a current estimate of the number of individuals to be involved in  
4 this training.

5 (e) The cost savings or other benefits due to utilizing any  
6 web-based or other distance learning training formats as opposed to  
7 delivering a comparable training program delivered face-to-face.

8 (f) The matching funds, if any, to be provided by a business  
9 organization.

10 (18) Of the funds appropriated in part 1 for economic development  
11 job training grants, the fund shall not use these funds to finance the  
12 startup or in any way subsidize any private distributor of liquor pro-  
13 ducts in Michigan.

14 (19) As a condition of receiving funds under part 1 of this act, the  
15 fund shall not expend any of the economic development job training grant  
16 funds to train any employee who is an officer of a corporation in a cor-  
17 poration employing more than 250 employees.

18 Sec. 302. The travel administration may establish and collect a fee  
19 to cover the cost of materials and processing of photographic prints,  
20 slides, videotapes, and travel product database information that are  
21 requested by the media and other segments of the public and private  
22 sectors. The fees collected shall be appropriated for all expenses nec-  
23 essary to purchase and distribute these photographic prints, slides, vid-  
24 eotapes, and travel product database information. The funds are avail-  
25 able for expenditure when they are received by the department of  
26 treasury.

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1       Sec. 303. Funding provided to the development finance agency grant  
2 and loan program established in 1984 PA 236 shall be utilized to  
3 establish a revolving loan fund and shall carry forward until the pur-  
4 poses for which the sums were appropriated are completed. The fund may  
5 loan, contract, or grant, or any combination thereof, the funds and earn-  
6 ings of this revolving loan fund for the express public purpose of help-  
7 ing to promote the formation of minority owned business development  
8 investment companies, with incentives to encourage the financing of  
9 minority owned businesses.

10       Sec. 304. Funds appropriated to the fund, Michigan promotion pro-  
11 gram, shall not be expended for the purpose of nontourism-related promo-  
12 tional projects that would target the citizens of this state as its prime  
13 audience.

14       Sec. 305. The fund shall submit an annual status report to the  
15 appropriations subcommittees of the house and senate on all activities,  
16 grants, and investment programs financed from the strategic  
17 fund/renaissance fund using investment or Indian gaming revenues. The  
18 report shall provide a list of individual grants and loans made from the  
19 fund.

20       Sec. 306. The travel administration may receive and expend private  
21 revenue related to the use of the "Michigan Great Lakes. Great Times."  
22 copyrighted slogan and image. This revenue may come from the direct  
23 licensing of the name and image or from the royalty payments from various  
24 merchandise sales. Revenue collected is appropriated for the marketing  
25 of the state as a travel destination. The funds are available for expen-  
26 diture when they are received by the department of treasury.

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1       Sec. 307. (1) In addition to the funds appropriated for the fund in  
2 part 1, there is appropriated an amount not to exceed \$7,000,000.00 for  
3 federal contingency funds. These funds are not available for expenditure  
4 until they have been transferred to another line item in this act pursu-  
5 ant to section 393(2) of the management and budget act, 1984 PA 431,  
6 MCL 18.1393.

7       (2) In addition to the funds appropriated in part 1, there is appro-  
8 priated an amount not to exceed \$1,000,000.00 for state restricted con-  
9 tingency funds. These funds are not available for expenditure until they  
10 have been transferred to another line item in this act pursuant to sec-  
11 tion 393(2) of the management and budget act, 1984 PA 431, MCL 18.1393.

12       (3) In addition to the funds appropriated in part 1, there is appro-  
13 priated an amount not to exceed \$500,000.00 for private contingency  
14 funds. These funds are not available for expenditure until they have  
15 been transferred to another line item in this act pursuant to section  
16 393(2) of the management and budget act, 1984 PA 431, MCL 18.1393.

17       Sec. 308. (1) Of the funds appropriated to the fund or through  
18 grants to the Michigan economic development corporation, no funds shall  
19 be expended for the purchase of options on land or the purchase of land  
20 unless at least 1 of the following conditions applies:

- 21       (a) The land is located in an economically distressed area.  
22       (b) The land is obtained through a purchase or exercise of an option  
23 at the invitation of the local unit of government or local economic  
24 development agency where the proposed use of the land is consistent with  
25 an approved land use plan.

26       (2) It is the intent of the legislature that priority be given to  
27 purchases where the proposed use of the land is consistent with a

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1 regional land use plan, will result in the redevelopment of an  
2 economically distressed area, can be supported by existing infrastruc-  
3 ture, and will not cause shifts in population away from the area's popu-  
4 lation centers.

5 (3) As used in this section, "economically distressed area" means an  
6 area in a city, village, or township that has been designated as  
7 blighted; a city, village, or township that shows negative population  
8 change from 1970 and a poverty rate and unemployment rate greater than  
9 the statewide average; or an area certified as a neighborhood enterprise  
10 zone.

11 Sec. 309. The fund shall submit on or before May 1, 2000 and  
12 November 1, 2000 to the appropriations subcommittees and the fiscal agen-  
13 cies a listing of all grants which have been awarded by the fund or by  
14 the Michigan economic development corporation from the funds appropriated  
15 in part 1. The list shall include all of the following:

- 16 (a) The name of the recipient.  
17 (b) The amount awarded to the recipient.  
18 (c) The purpose of the grant.

19 Sec. 310. (1) The fund shall provide reports to the senate and  
20 house full appropriations committees and the fiscal agencies concerning  
21 the activities of the Michigan economic development corporation. The  
22 report shall include, but not be limited to, the following programs  
23 funded in part 1:

- 24 (a) Travel Michigan bureau.  
25 (b) National business development.  
26 (c) International business development.

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- 1 (d) Small, minority, and disabled business services.  
2 (e) CDBG.  
3 (f) Strategic/renaissance fund administration.  
4 (g) Renaissance zones.  
5 (h) Business roundtables.  
6 (i) Business and clean air ombudsman.  
7 (j) Economic development job training grants.  
8 (k) Film office.  
9 (l) Any other programs of the fund.  
10 (2) The reports in subsection (1) shall be submitted by January 1,  
11 2000. The report for each program in subsection (1)(a) through (l) shall  
12 include details on the actual spending and number of FTEs for that  
13 program.  
14 Sec. 311. As a condition of receiving funds under part 1, any  
15 interlocal agreement entered into by the fund shall include language  
16 which states that if a local unit of government has a contract or memo-  
17 randum of understanding with a private economic development agency, the  
18 Michigan economic development corporation will work cooperatively with  
19 that private organization in that local area.