



**House  
Legislative  
Analysis  
Section**

House Office Building, 9 South  
Lansing, Michigan 48909  
Phone: 517/373-6466

## COUNTY GRANTS & LOANS

**House Bill 5369 as passed by the House**  
**Sponsor: Rep. Thomas M. George**

**House Bill 5370 as passed by the House**  
**Sponsor: Rep. Jerry Vander Roest**

**Committee: Commerce**  
**Second Analysis (1-28-03)**

### ***THE APPARENT PROBLEM:***

Kalamazoo County has been advised by legal counsel that specific legislation is needed for the county to be able to contribute money to a nonprofit entity that is in the process of establishing a revolving loan fund for use in making loans to businesses to encourage economic development. According to information provided to the House Committee on Commerce, the county is interested in contributing to the Southwest Michigan First Growth Fund, a 501(c)(3) nonprofit corporation. The county is also interested in making grants to local units within the county through a special infrastructure fund. This fund is intended to foster economic development by assisting local units in making infrastructure improvements through grants of up to \$100,000. The infrastructure improvements, such as water, sewer, and storm drain projects, street projects, and environmental cleanup, must be connected to a prospective economic development project that will result in permanent job creation or in job retention. Legislation has been introduced to allow the county to engage in these activities.

### ***THE CONTENT OF THE BILLS:***

House Bill 5369 would amend Public Act 156 of 1851 (MCL 46.11), which defines the powers and duties of county commissioners, to permit commissioners, at a lawfully held meeting, to grant or loan funds not derived from ad valorem taxes (e.g., property taxes) to a nonprofit corporation organized for the purpose of providing loans for private sector economic development initiatives.

House Bill 5370 would amend Public Act 380 of 1913 (MCL 123.872) to allow a county to grant or loan funds not derived from ad valorem taxes to a township, village, or city within the county for the purpose of encouraging and assisting businesses to locate and expand within the county.

### ***FISCAL IMPLICATIONS:***

The House Fiscal Agency reports that the bills would not likely have a significant fiscal impact. (HFA committee analyses dated 4-19-02)

### ***ARGUMENTS:***

#### ***For:***

The bills would grant counties specific authority to make certain grants and loans. In one case, the grants and loans could be made to nonprofit corporations that in turn would loan money to private businesses. In the other, the grants and loans could be made to local units within the county for economic development purposes. Legal counsel has informed Kalamazoo County that counties can only exercise powers granted to them by the state constitution or by the legislature. In each case, the bills will give county officials additional tools to become more directly involved in promoting economic development.

#### ***Against:***

A citizens group in Kalamazoo County has expressed opposition to the bills on the grounds that public funds should not be used to subsidize private development. They argue that such investments are risky and potentially wasteful. Public funds should be spent on things that benefit the broad public, such as roads, sewers, law enforcement, etc. Further, they argue that the bills violate the provision of the state constitution that says, "The credit of the state shall not be granted to, nor in aid of any person, association or corporation, public or private". (Article IX, Section 18)

### ***POSITIONS:***

Representatives of Kalamazoo County testified in support of the bills. (4-23-02)

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The Michigan Association of Counties has indicated support for the bills. (4-18-02)

The Kalamazoo County Taxpayers Association is opposed to the bills. (8-9-02)

Analyst: C. Couch

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