

Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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Senate Bill 239 (Substitute S-1 as passed by the Senate)  
Senate Bill 240 (as passed by the Senate)  
Sponsor: Senator Tom George  
Committee: Local, Urban and State Affairs

Date Completed: 4-14-03

### **RATIONALE**

Kalamazoo County has been exploring ways to assist, directly or indirectly, economic development projects within the county. The county proposed to use a portion of its general fund to make loans or grants to a nonprofit corporation (which would in turn provide loans for private sector projects), or directly to a local unit of government within the county for the local unit to assist business development or expansion. Reportedly, the county was advised by outside legal counsel that there is no statutory authority for it to contribute general funds, either indirectly through a nonprofit corporation, or directly to a local unit, for private sector economic development projects. Some people believe that a county should be allowed to loan or grant general fund revenue for such purposes.

### **CONTENT**

**The bills would amend two statutes to do the following:**

- **Allow a county to grant or loan funds to a nonprofit corporation or a local unit of government for the purpose of economic development or business expansion or location.**
- **Require a county to establish an application process.**
- **Require an application to include a statement of the public purpose for which the funding was made available.**
- **Require a grant or loan to be awarded at a public hearing of the county board of commissioners.**

Senate Bill 239 (S-1) would amend Public Act 156 of 1851, which prescribes the powers and duties of county boards of commissioners, to allow a county board of commissioners to grant or loan funds to a nonprofit corporation organized for the purpose of providing loans

for private sector economic development initiatives. A nonprofit corporation that received funds would be subject to the Freedom of Information Act for all related activities.

Senate Bill 240 would amend Public Act 380 of 1913, which regulates gifts of property to local units of government, to allow a county to grant or loan funds to a township, city, or village located in the county, for the purpose of encouraging and assisting businesses to locate and expand within the county.

Under both bills, the application process for proposals to receive a grant or loan would have to require adequate public notice that funds were available, the criteria for awarding the funding, and a specific statement of the public purpose for which the funding was being made available. A grant or loan contract would have to require a report to the county board of commissioners, at least annually, regarding the recipient's activities, and the degree to which the recipient had met the stated public purpose of the funding. Funds loaned or granted could not be derived from a county's ad valorem taxes.

MCL 46.11 (S.B. 239)  
123.872 (S.B. 840)

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

Kalamazoo County apparently has been hit hard by business relocation in recent years. In an effort to foster economic growth, the county has looked for ways to use its

resources to promote business development. The county, however, does not have statutory authority to use general fund revenue for loans and grants to nonprofit corporations or local units to assist and encourage business location or expansion, as the county proposed to do. By granting counties the explicit statutory authority to make such loans and grants, the bill would give counties an optional tool for economic development that they presently do not possess.

Legislative Analyst: George Towne

### **FISCAL IMPACT**

The bills would have an unknown, although likely minimal impact on local units. The bills would not affect State expenditures and the effects on State revenues would likely be negligible or zero.

Fiscal Analyst: David Zin

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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.