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BILL ANALYSIS

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Senate Bill 727 (Substitute S-2 as passed by the Senate)

Sponsor: Senator Valde Garcia

Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 5-22-06

RATIONALE

In November 2005, Governor Granholm signed into law a \$1.0 billion economic development package, which involves the sale of a portion of Michigan's future tobacco settlement revenue (under a 1998 settlement agreement between 46 states and the United States tobacco industry). A key component of the package is the creation of the 21st Century Jobs Trust Fund to receive the net proceeds of the sale. For the 2005-06 fiscal year, the legislation appropriated \$400 million from that Fund to the Michigan Strategic Fund for a variety of economic development purposes. These include the allocation of \$10.0 million "to support the development and creation of a defense contract coordination center program to assist Michigan companies in securing more federal defense and homeland security procurement contracts". It has been suggested that the Defense Contract Coordination Center should be established in statute, to solidify efforts to secure Federal contracts for Michigan businesses.

CONTENT

The bill would create a new act to establish the Defense Contract Coordination Center in the Michigan Economic Development Corporation (MEDC). The act would be repealed five years after its enactment.

The Center would be required to do the following:

- Focus solely on job creation and job retention from business opportunities associated with the Procurement Technical Assistance Center (PTAC) or

with defense, homeland security, and other government contracts.

- Coordinate with PTACs in this State to maximize business opportunities for businesses located in Michigan.
- Give priority to bringing business opportunities to counties hardest hit by manufacturing layoffs.
- Set a performance objective of increasing defense and homeland security contracts awarded to businesses located in Michigan by 25%.
- Provide resources needed to meet the performance objective within one year.

The Center would have to report directly to the president of the MEDC.

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

Although Public Act 225 of 2005 appropriated \$10.0 million for a defense contract coordination center program, the center does not yet exist. By creating the Defense Contract Coordination Center in statute, the bill would give the MEDC clear authority to set up the office. The bill also would provide specific direction for the Center's efforts, including working with PTACs to secure Federal contracts. According to their website, PTACs of Michigan are nonprofit organizations funded by the Defense Logistics Agency, the MEDC, and local sources, and the mission of the 13 PTACs in the State is to "enhance national defense and economic development of the State of Michigan by assisting Michigan

businesses in obtaining and performing on federal, state and local government contracts". Apparently, the PTAC offices are effective but tend to work independently. The Defense Contract Coordination Center in effect would serve as the headquarters for efforts to help Michigan businesses obtain government contracts, and Center personnel could gain access to the decision-makers who hand out those contracts.

In addition to creating the Defense Contract Coordination Center and giving it direction, the bill would set a clear performance objective for the Center. This would help law-makers decide whether to continue supporting the Center beyond the funding provided by Public Act 225. The bill also would repeal the proposed act after five years, which would ensure a review of the Center's effectiveness, if there were interest in retaining the Center beyond that period.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

Under Public Act 225 of 2005, a piece of the tobacco securitization legislation, the Legislature appropriated \$10.0 million for FY 2005-06 to create a Defense Contract Coordination Center. This bill would statutorily create that center.

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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.