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BILL ANALYSIS

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Senate Bill 727 (as enrolled)

PUBLIC ACT 317 of 2006

Sponsor: Senator Valde Garcia

Senate Committee: Economic Development, Small Business and Regulatory Reform

House Committee: Commerce

Date Completed: 1-4-07

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 \$400.0 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 was suggested that the Defense Contract Coordination Center be established in statute, to solidify efforts to secure Federal contracts for Michigan businesses.

CONTENT

The bill created a new act to establish the Defense Contract Coordination Center in the Michigan Strategic Fund. The bill took effect on July 20, 2006, and will be repealed five years after its enactment.

The Center must do all of the following:

- Focus solely on job creation and job retention from business opportunities associated with the Procurement Technical Assistance Center (PTAC) for homeland security and defense contracts

and contracts related to homeland security and defense.

- Coordinate with PTACs in this State to maximize homeland security and defense business opportunities for small businesses and small business innovation research programs located in Michigan.
- Give priority to bringing homeland security and defense business opportunities to municipalities hardest hit by manufacturing layoffs.
- Set a performance objective of increasing defense and homeland security contracts awarded to businesses located in Michigan by 25% by the time the act is repealed.
- Provide resources needed to meet the performance objective within one year.
- Coordinate with businesses and nonprofit organizations located in Michigan for the purposes of maximizing homeland security and defense business opportunities.

The Center must coordinate its efforts with programs funded with proceeds from the 21st Century Jobs Trust Fund and other initiatives that are targeted toward commercialization activities related to homeland security and defense research and development in higher education institutions, research centers, and other businesses working in the homeland security and defense arena.

(The bill defines "municipality" as a township, village, city, or county. "Small business" means a business with fewer than 400 employees.)

The Center is required to hire an executive director and a support person to operate it. Additional staff may be hired once a business plan has been developed and approved by the Michigan Strategic Fund (MSF) board. The plan must include the percentage of funds used for grants, loans, and operating expenses. The Center may not use any State funds to construct or renovate a building for its own use.

The Center may exercise the powers, privileges, and authority that the MSF and local public agencies share in common and that each might exercise separately. The shared power, privilege, or authority must be exercised by a public body corporate created under Article VII, Section 28 of the State Constitution and the Urban Cooperation Act, by a contractual interlocal agreement effective April 5, 1999, between local participating economic development corporations formed under the Economic Development Corporations Act and the MSF. (This public body corporate is the Michigan Economic Development Corporation.)

The MSF board it may delegate those functions and authority that it considers necessary or appropriate as provided in Section 5 of the Michigan Strategic Fund Act (which permits the board to delegate functions and authority to its president, vice-president, staff, or others).

MCL 125.1971 & 125.1972

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 Act did not establish the center itself. By creating the Defense Contract Coordination Center in statute, the bill gives the MSF clear authority to set up the office. The bill also provides specific direction for the Center's efforts, including working with PTACs to secure Federal defense and homeland security contracts. According to their website, PTACs of Michigan are nonprofit organizations funded by the Defense Logistics Agency, the Michigan Economic Development Corporation, 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 will serve as the headquarters for efforts to help Michigan businesses obtain government contracts, and Center personnel should be able to 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 sets a clear performance objective for the Center. This will help law-makers decide whether to continue supporting the Center beyond the funding provided by Public Act 225. The bill also repeals the new act after five years, which will ensure a review of the Center's effectiveness, if there is 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 statutorily creates 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.