

Legislative Analysis



NEW ECONOMY COMMISSION

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 6242 (Substitute H-1)

Sponsor: Rep. Ed Clemente

Committee: New Economy and Quality of Life

First Analysis (7-28-10)

BRIEF SUMMARY: The bill would create the New Economy Commission within the Michigan Strategic Fund.

FISCAL IMPACT: There would be an indeterminate amount of costs to the state as the bill requires reimbursing members for expenses they incur in performing their duties.

THE APPARENT PROBLEM:

Historically, the term "new economy" was first used by *Newsweek* Magazine in 1995 to refer to the movement among prosperous leaders in developed countries to shift from economic wealth that was based on industry and manufacturing, to economic wealth that is based on services, information technology, and the financial assets brought about by globalization. Early analysts claimed that this change in the economic structure of the United States would create a state of permanent steady growth, low unemployment, and immunity to 'boom and bust' macro-economic cycles.

Times have changed. Today, following the severe downturn in the economy both in Michigan and nationwide, the phrase "new economy" continues in use--generally to describe *contemporary developments in business and the economy*, as leaders incentivize engines of economic growth, identify necessary infrastructure investments, and encourage job providers to create thousands of jobs.

Because Michigan has experienced a decline in the output of manufactured goods and in employment in the manufacturing sector--the loss of nearly one million jobs in the last decade, alone--legislation has been introduced to create a new 23-member New Economy Commission appointed by the next governor, and located within the Michigan Strategic Fund.

THE CONTENT OF THE BILL:

House Bill 6242 (H-1) would create the New Economy Commission within the Michigan Strategic Fund. The bill specifies that the Michigan Strategic Fund would provide staff for the commission, and carry out the commission's administrative duties. All of the commission's budgeting, procurement, and related functions would be under the supervision of the president of the Michigan Strategic Fund.

Among other things, the duties of this commission would include developing a statewide strategy for the enhancement, encouragement, and growth of the new economy in Michigan and to promote through public and private means responsive public policies, innovative private sector practices, and creative nonprofit initiatives. The commission is also charged with developing a strategic vision for Michigan that includes economic development, international issues, outdoor recreation, land use, transit, and green initiatives. (The full list of duties is described later.) The term "new economy" is not defined in the bill.

Membership

The commission would have 23 members, appointed after January 15, 2011 and before March 1, 2011. They would include the president of the Michigan Strategic Fund (a non-voting member), the director of the Michigan State Housing Development Authority (a non-voting member), the director of the State Transportation Department (a non-voting member), and the Superintendent of Public Instruction (also a non-voting member). (Each could instead appoint a designee.) The other members would be appointed by the Governor, one of whom would be the chairperson, as follows: two members of the State House of Representatives from separate lists of three or more, selected by the Speaker of the House, and the House Minority Leader; two members of the State Senate from separate lists of three or more members selected by the Senate Majority Leader and the Senate Minority Leader; and one member each to represent new economy businesses, cultural institutions, institutions of higher education, regional economic development, small businesses, young professional organizations, leadership organizations, small business lending, foundations, early state business financing, and municipalities (cities, villages, townships, or counties). Four other members would be appointed "at large." Members would be appointed for four years terms, although the first set of appointees would serve staggered terms. Membership would have to be representative of the state "geographically, racially, and with regard to gender."

The Commission would be subject to the Open Meetings Act and the Freedom of Information Act. It would have to meet at least quarterly and could meet more frequently at the call of the chair (appointed by the governor) or if requested by at least 10 members. The Commission would elect from among its members a vice-chairperson and other officers it considered necessary.

Duties and Responsibilities

The bill lists the following tasks for the Commission:

**** Develop a statewide strategy for the enhancement, encouragement, and growth of the new economy in Michigan and to promote through public and private means responsive public policies, innovative private sector practices, and creative nonprofit initiatives.**

**** Research and evaluate studies conducted to locate and identify best practices that easily transfer to Michigan.**

**** Provide recommendations on restructuring economic programs within state government to enhance new economy efforts**

**** Provide strategies and propose legislation, if necessary, to provide linkage between programs to enhance the new economy.**

****Establish metrics to measure the effect of the new economy on other sectors of the economy by developing and conducting extensive statewide research and creating a database from the results.**

**** Foster education and workforce development in the new economy sector by stimulating efforts to develop career pathways for new industries.**

**** Research the potential for an online resource directory, including the development and promotion of a web-based resource highlighting the new economy and its member companies and organizations.**

**** Research the potential for a comprehensive communications program targeting member communities, organizations, stakeholders, and interested parties, including the promotion of networking across the new economy sector.**

**** Research methods to brand Michigan as a new economy leader.**

**** Develop a strategic vision for Michigan that includes economic development, international issues, outdoor recreation, land use, transit, and green initiatives.**

**** Research, inventory, and evaluate the effectiveness, including a benefit/cost analysis, of the economic development tools used in this state benchmarked against other states.**

Reports

The Commission would have to report to the Governor, and to the House of Representatives and the Senate, the results of its investigations and studies, and any recommendations for legislation (with drafts), by January 1, 2012. Also, the Commission would have to submit annually, before December 1, a written report of its activities during the previous fiscal year to the Clerk of the House of Representatives and the Secretary of the Senate. The report would have to include proposed changes to any statute or rule necessary to promote the new economy.

The new act created by the bill would be repealed as of October 1, 2015.

Definitions

House Bill 6242 (H-1) would define "Michigan new economy commission" or "commission" to mean the Michigan new economy commission created under section 2 (of the bill). The bill would define "Michigan strategic fund" to mean the Michigan Strategic Fund under the Michigan Strategic Fund Act, 1984 PA 270, MCL 125.2001 to 125.2094.

ARGUMENTS:

For:

Proponents of the bill argue that the creation of a New Economy Commission early in the next governor's term can create a seamless transition for Michigan's future chief executive. They note that the duties of the new commission--including among other things, a statewide economic growth strategy that promotes innovation and creativity in

both private sector practices and creative non-profit initiatives by identifying best practices to transfer easily to Michigan--will enhance job creation in Michigan's economy, most especially if efforts are made to develop career pathways for new industries. A high level New Economy Commission having the mission to develop a strategic vision for Michigan that includes economic development, international issues, outdoor recreation, land use, transit, and green initiatives can be more effective still if the commission develops the capacity to research, inventory, and evaluate the effectiveness (utilizing benefit/cost analysis) of the economic development tools used in this state, and benchmarks those tools against the tools and progress in other states.

Against:

Opponents of the legislation argue that state and local governments cannot create jobs. Further, they argue governmental policymakers should not intervene in the economy with incentives such as tax credits or public transit projects for a select group of job providers, in effect choosing winners and losers in the emerging economy. Instead, opponents of the bill argue that the unfettered free market works best in a capitalistic economy to determine the kinds and costs of products that will stimulate business and job growth.

POSITIONS:

The Michigan Bankers Association supports the bill. (7-28-10)

The Council of Michigan Foundations supports the bill. (7-28-10)

The Michigan Nonprofit Association supports the bill. (7-28-10)

The Michigan Association of Counties supports the bill. (7-28-10)

The Michigan Municipal League supports the bill. (7-28-10)

The University of Michigan-Flint supports the bill. (7-28-10)

Legislative Analyst: J. Hunault/
Chris Couch
Fiscal Analyst: Robin Risko

■ 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.