

SUPPLY CHAIN COMMISSION

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Senate Bill 256 (Substitute H-2)

Sponsor: Sen. Mike Kowall

House Committee: Commerce

Senate Committee: Economic Development

Complete to 6-5-13

A SUMMARY OF SENATE BILL 256 AS REPORTED BY HOUSE COMMITTEE

The bill would amend the Michigan Supply Chain Management Development Commission Act, which was put in place by Public Act 398 of 2008. The bill would do the following:

- Rename the Commission and the Act. The commission would become the Commission for Logistics and Supply Chain Collaboration, and the act would be renamed accordingly.
- Move the commission from the Department of Treasury to the Michigan Strategic Fund.
- Reconfigure the membership of the commission. Currently the commission has 15 members; the bill would reduce membership to 10. Membership changes would be as follows:
 - The president of the Strategic Fund and the director of the Department of Transportation would remain on the commission (although the bill would allow their designees to serve instead).
 - The director of the Department of Environmental Quality would be replaced by the director of the Department of Agricultural and Rural Development (or a designee).
 - The State Treasurer would no longer be on the commission.
 - One individual, rather than two, would be appointed by the governor from a list of four state residents selected by the Senate Majority Leader.
 - One individual, rather than two, would be appointed by the governor from a list of four state residents selected by the Speaker of the House of Representatives.
 - Five other individuals, rather than seven, would be appointed by the governor; these would not need to be state residents.
 - All of the individuals appointed by the governor would need to have education in, experience with, or knowledge of supply chain management and logistics, including individuals representing commerce, transportation, border operators, warehousing, local economic development agencies, and institutions of higher learning.

- For the appointees recommended by the Senate Majority Leader and Speaker of the House, the above criteria would replace current language that requires the members to live within one mile of an international border crossing, airport, rail yard, intermodal facility, port, or other major transportation infrastructure that has significant impacts on the local residential community. That language would be struck.
- Allow state funds to be used to cover administrative costs of the commission and costs associated with reimbursing the expenses of commission members, but not to exceed \$5,000 per fiscal year. Currently, the act says that state funds are not to be used to fund the operations of the commission, but that it should be funded by private funds, federal funds, and other funds that are not state funds. The term "administrative expenses" would refer to costs associated with the business of the commission, including preparing documents for meetings, maintaining records, and scheduling commission meetings.
- Eliminate references to "tax incentives." Currently, the commission is charged, among other things, with studying and designing programs to support the international trade, supply chain, and logistics industries through "workforce development, tax incentives, recruitment, marketing, and other activities." The bill would eliminate "tax incentives" and replace it with "business development."
- The commission is charged now with making recommendations to the governor and Legislature on a number of issues. Under the bill, the commission, instead of making recommendations, would under the bill "develop strategies to address" the various listed issues. Added to that list of issues would be "collaborating and sharing information between the private sector and public sectors on freight and supply chain issues."

BACKGROUND INFORMATION:

The act says the purpose of the commission is to create a "road map" to attract, support, market, and expand the international trade, supply chain, and logistics industries by advising on the development and coordination of state transportation and economic development policies. Based upon an inventory of industry needs, state strengths, and an economic multiplier impact analysis, the commission is to study and design programs to provide incentives for these growth industries, through workforce development, business development, recruitment, marketing, and other activities.

The commission's current powers and duties include to:

- Advise the governor and appropriate state agencies on methods, proposal, programs, and initiatives involving supply chain management in Michigan that may stimulate state economies, and provide additional employment opportunities for the state.
- Create avenues of communication between Michigan, Ontario, and the federal government of Canada concerning economic development, trade and commerce, transportation, and industrial affairs concerning supply chain management.

- Survey and audit how other states have used supply chain management capabilities to attract industry.
- Determine which industries in Michigan would benefit from supply chain coordination.
- Make recommendations to the governor and the Legislature about the following:
 - Mechanisms to attract long-term capital investment;
 - How to improve access to credit or financing resources;
 - How to improve workforce training and retraining support to maximize productivity;
 - Expediting regulatory oversight to facilitate expansion and new investment;
 - Reducing regulatory burdens;
 - Developing growth strategies for targeted industries;
 - How to prioritize and coordinate investment in the state's transportation infrastructure; and
 - Developing an integrated state strategy regarding policy to global supply chain operations.

BRIEF DISCUSSION:

During committee hearings on the bill, it was revealed that the Commission has never met since its creation in 2008. The bill is intended to revitalize the Commission, in part by allowing some state funds to be used to cover administrative costs of the commission and costs associated with reimbursing the expenses of commission members. The lack of funding has been an obstacle, according to the MEDC, but the mission of the Commission remains important. Some committee members suggested that if the committee's lack of functioning had not been noticed since 2008 then perhaps it is not needed.

FISCAL IMPACT:

Senate Bill 256 would have a minimal fiscal impact on state government. Under the provisions of the bill, state funds would be used to reimburse Commission member's expenses and administrative costs. The bill does not make a specific authorization of funds for this purpose; therefore, the Michigan Strategic Fund would cover the expenses and administrative costs under current appropriation levels.

POSITIONS:

The Michigan Economic Development Corporation indicated support for the bill. (5-22-13)

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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.