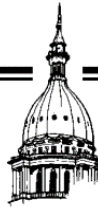




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BILL



ANALYSIS

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Senate Bill 256 (as enrolled)  
Sponsor: Senator Mike Kowall  
Senate Committee: Economic Development  
House Committee: Commerce

Date Completed: 6-24-13

### **RATIONALE**

The Michigan Supply Chain Management Development Commission Act was enacted in 2008 to create the Michigan Supply Chain Management Development Commission within the Department of Treasury. The Act requires the Commission to create a road map for attracting, supporting, marketing, and increasing the international trade, supply chain, and logistics industries by advising on the development and coordination of State transportation and economic development policies. The Commission is required to study and design programs to provide incentives and otherwise support these industries through workforce development, recruitment, marketing, tax incentives, and other activities. The Commission's responsibilities also include recommending to the Governor and the Legislature changes to the State's tax structure to make Michigan competitive with other jurisdictions. The Act prescribes the Commission's membership, powers, and duties, and prohibits the use of State funds to fund the operations of the Commission.

Although members were appointed to the Commission, apparently they never met, and some people believe that the mission of this body is vague. It has been suggested that the Commission be restructured, and relocated within the Michigan Strategic Fund, to better maximize economic development opportunities.

### **CONTENT**

**The bill would amend the Michigan Supply Chain Management Development Commission Act to do the following:**

- **Replace the Michigan Supply Chain Management Development Commission with the Commission for Logistics and Supply Chain Collaboration.**
- **Revise the membership of the Commission.**
- **Modify the responsibilities of the Commission.**
- **Allow the use of State funds for administrative costs and member expenses.**
- **Change the name of the Act to the "Commission for Logistics and Supply Chain Collaboration Act".**

### **Purpose & Responsibilities**

The bill would create the Commission for Logistics and Supply Chain Collaboration within the Michigan Strategic Fund, replacing the Michigan Supply Chain Management Development Commission, and removing it from the Department of Treasury. Except as modified by the bill, this Commission would have the same purpose and responsibilities as the existing Commission.

With regard to the Act's requirement that the Commission study and design programs to provide incentives and otherwise support the international trade, supply chain, and logistics industries through various methods, including tax incentives, the bill would refer to business development, rather than tax incentives.

The Act requires that the Commission make recommendations to the Governor and the Legislature on various topics, including goals related to capital investment, financing

sources, workforce productivity, expediting regulatory oversight, reducing regulatory burden, industry growth strategies, transportation infrastructure investment, and changes to the tax structure. The bill would delete the provision that requires the Commission to recommend tax structure changes to the Governor and the Legislature. The bill would include collaborating and sharing information between the private sector and public sectors on freight and supply chain issues. Rather than requiring the Commission to make recommendations, the bill would require it to develop strategies to address these topics.

### Funding

Currently, State funding may not be used for operations of the Commission. The bill would allow the use of State funds to cover 1) Commission member reimbursements for necessary expenses, and 2) Commission administrative costs. State funds for both purposes would be capped at \$5,000 per fiscal year.

Currently, the Commission may be funded with only private funds, Federal funds, or other funds that are not State funds. The bill would strike this provision.

(The bill would define "administrative costs" as costs associated with the business of the Commission, including preparing documents for meetings, maintaining records, and scheduling Commission meetings.)

### Membership

The Act requires the Commission to consist of the following members:

- The president of the Michigan Strategic Fund (MSF).
- The Director of the Michigan Department of Transportation (MDOT).
- The Director of the Department of Environmental Quality.
- The State Treasurer.
- Two Michigan residents appointed by the Governor from a list of four or more individuals selected by the Senate Majority Leader.
- Two Michigan residents appointed by the Governor from a list of four or more individuals selected by the Speaker of the House of Representatives.

- Seven individuals appointed by the Governor who have education in, experience with, or knowledge of supply chain management and logistics.

The members appointed from lists submitted by the Senate Majority Leader and the Speaker of the House must 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.

Under the bill, the Commission would have to consist of the following members:

- The president of the MSF or his or her designee.
- The Director of MDOT or his or her designee.
- The Director of the Department of Agriculture and Rural Development or his or her designee.
- One Michigan resident appointed by the Governor from a list of four or more individuals selected by the Senate Majority Leader.
- One Michigan resident appointed by the Governor from a list of four or more individuals selected by the Speaker of the House.
- Five individuals appointed by the Governor who have education in, experience with, or knowledge of supply chain management and logistics.

The members appointed from lists submitted by the Senator Majority Leader and the Speaker of the House also would have to have education in, experience with, or knowledge of supply chain management and logistics. As provided for the other appointed members, these members could include individuals representing commerce, transportation, border operators, warehousing, local economic development agencies, and institutions of higher learning.

### Annual Report

The Michigan Strategic Fund would have to make an annual report to the Senate, the House of Representatives, and the Senate and House Fiscal Agencies. The first report would have to be issued by March 1, 2014. The report would have to contain the amount of administrative costs that the

Commission spent in the previous fiscal year.

MCL 125.1891-125.1894

### **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**

Supply chain management refers to the alignment of interconnected operations involved in the provision of products and services required by the end customers in a supply chain. Affected operations may include parts-procurement, manufacturing, warehousing, and others. Integral to supply chain management are intermodal transportation networks that link the movement of goods by highway, air, rail, and water, as well as technology that can synchronize supply with demand. When Michigan's current supply chain management law was proposed, it was pointed out that supply chain managers and logistics experts play an increasingly important role in the State's manufacturing and biotechnology industries, especially considering Michigan's proximity to Canada. Thus, the Act was designed to integrate the State's economic development strategy and its transportation infrastructure policy, with a focus on border communities.

Reportedly, however, since the Commission was created more than four years ago, it has not met once.

According to a representative of the Michigan Economic Development Corporation, the bill would address shortcomings in the Act. The membership of the Commission is too large, and its mission is too vague, for it to be effective. The bill would reduce the number of members on the Commission, and narrow its focus. This would allow the Commission to better maximize opportunities in and around Michigan, promote collaboration between State departments, and result in outreach to universities, industry, and nonprofits.

Legislative Analyst: Glenn Steffens

### **FISCAL IMPACT**

The bill would authorize the use of not more than \$5,000 of State funds for reimbursement of Commission members' expenses and administrative costs of the proposed Commission for Logistics and Supply Chain Collaboration, which would be established in the MSF to replace the Michigan Supply Chain Management Development Commission. This would have a minimal impact on the cost of State government. The bill would not make an appropriation; thus, use of State funds for this purpose would come from the existing resources of the MSF. The MSF also would incur minimal costs to prepare and submit the annual report on administrative spending by the Commission, as the bill would require.

Fiscal Analyst: Elizabeth Pratt

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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.