

“QUALIFIED NEW JOB”: EXPAND DEFINITION TO INCLUDE NON-MICHIGAN RESIDENTS

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Senate Bill 40 reported from committee as H-4

Sponsor: Sen. Dale W. Zorn

House Committee: Commerce and Trade

Senate Committee: Economic Development and International Investment

Complete to 12-7-17

SUMMARY: Senate Bill 40 would amend the Michigan Strategic Fund Act to expand the definition of “qualified new job” to include a job performed by an individual who is not a resident of Michigan and is employed by a business at a project location that is located in Michigan. In order to meet the definition, the business would be required to certify in writing, at the time of disbursement, that at least 50% of the employees of that business are residents of Michigan.

MCL 125.2088r

FISCAL IMPACT: The bill would have no fiscal impact on state or local government. See **FISCAL INFORMATION** below for more information.

THE APPARENT PROBLEM:

The Michigan Strategic Fund (MSF) operates the Michigan Business Development Program (MBDP). The program provides grants, loans, and other economic assistance to qualified businesses that make qualified investments or provide qualified new jobs in Michigan.¹ Currently for purposes of the MBDP, the term “qualified new job” refers to, among other things, a job performed by an individual who is a resident of Michigan.

Reportedly, the requirement that a qualified new job be held by a Michigan resident can be a significant factor for businesses seeking to locate or expand, especially in counties that border other states. In one instance, a potential business might seek to bring existing workers to the proposed site from an out-of-state location; in other instances, potential businesses might have to extend their employment search to out-of-state areas in order to find a qualified workforce. These potential jobs would not count for purposes of the MBDP. For these reasons, businesses may choose not to locate or expand in Michigan because they do not have, or fear they will not be able to fulfill, the required number of qualified new jobs to receive MBDP support. Many believe that the qualified new jobs definition should be expanded to include individuals who are not Michigan residents.

¹ For more information, see “Michigan Business Development Program”, Michigan Economic Development Corporation, 12.16. Available online at: <http://www.michiganbusiness.org/cm/files/fact-sheets/michiganbusinessdevelopmentprogram.pdf>

FISCAL INFORMATION:

The bill would have no fiscal impact on state or local government. While the provisions of the bill would alter the definition of a qualified new job under the Michigan Business Development Program (MBDP), thus making it easier for businesses employing nonresidents of the state to qualify for or enhance existing MBDP grants and loans, the appropriation level for the MBDP is set by the legislature. Total MBDP grant and loan amounts would still be limited by the appropriation amount set in the annual appropriation acts.

ARGUMENTS:

For:

When making decisions about locating a new business or expanding an existing one, access to a talented workforce is one of the most important factors. In assessing the local workforce, companies do not distinguish between state and geographic borders. A 25-mile radius around Ann Arbor is the same as a 25-mile radius around Niles, even though the Niles radius encompasses a different state. In counties along the southern border, Michigan residents and out-of-state residents commute daily to and from work. In allowing a business to employ a non-Michigan resident as a qualified new job, the bill will better match economic development policies with the needs and realities of business operations.

For:

The bill will make it easier for businesses to locate or expand in the state, which is good for Michigan's economy. More businesses create additional spin-off jobs and economic activity. Nonresidents who work in Michigan will spend money and time in the state, and may even decide to move here. Additionally, this policy is similar to that of other states, and will level the playing field in competing for businesses.

Against:

Instead of providing taxpayer support to businesses that employ out-of-state workers, economic development programs should support the development of existing Michigan workers and provide them with the skills and knowledge to find good-paying jobs.

POSITIONS:

Representatives of the following entities testified in support of the bill:

Michigan Department of Talent and Economic Development (2-28-17)

Monroe Business Development Corporation (2-28-17)

Lenawee Now (2-28-17)

Southwest Michigan First (2-28-17; and indicated support 12-5-17)

Southwestern Michigan Economic Growth Alliance (2-28-17; and indicated support 12-5-17)

Representatives of the following entities indicated support of the bill:

Michigan Manufacturers Association (2-28-17)
Cornerstone Alliance (2-28-17)
American Electric Power (2-28-17)
Kinexus (12-5-17)
Michigan Bankers Association (12-5-17)
Michigan Municipal League (12-5-17)
Lake Superior Community Partnership (12-5-17)
Kalamazoo Chamber of Commerce (12-5-17)
Three Rivers Chamber of Commerce (12-5-17)
Tri County Manufacturer's Council (12-5-17)
St. Joseph County Edge (12-5-17)
Cornerstone Alliance (12-5-17)
City of Sturgis (12-5-17)
Van Buren County Economic Development (12-5-17)
Owens Products (12-5-17)
Vickers Engineering (12-5-17)

Representatives of the following entities testified in opposition to the bill:

Michigan AFL-CIO (2-28-17; and indicated opposition 12-5-17)

Representatives of the following entities indicated opposition to the bill:

American Federation of State, County and Municipal Employees (2-28-17)
United Automobile Workers (2-28-17)
Service Employees International Union (2-28-17)

Legislative Analyst: Patrick Morris
Fiscal Analyst: Ben Gielczyk

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.