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BILL



ANALYSIS

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Senate Bill 40 (as enacted)

**PUBLIC ACT 458 of 2018**

Sponsor: Senator Dale W. Zorn

Senate Committee: Economic Development and International Investment

House Committee: Commerce and Trade

Date Completed: 1-24-19

**CONTENT**

**The bill amends Chapter 8A of the Michigan Strategic Fund Act to include in the definition of "qualified new job" a job performed by an individual who is not a resident of the State and is employed by a business at a project location that is located in the State provided that the business certifies in writing at the time of disbursement that not less than 75% of the employees of that business are residents of the State.**

The bill will take effect on March 29, 2019.

Section 88r, in Chapter 8A, requires the Michigan Business Development Program to provide for all of the following:

- Grants, loans, and other economic assistance to assist qualified businesses in making qualified investments and providing new jobs in the State, with preference given to qualified businesses that need additional assistance for deal-closing and for second stage company gap financing.
- A detailed application, approval, and compliance process published and available on the MSF's website that meets specific criteria outlined under Section 88r, including requirements regarding a written agreement between the MSF and a qualified business.

In any fiscal year, a qualified business may not receive more than \$10.0 million for a project funded under Section 88r.

"Qualified business" means a business that is located in or operates in, or will locate or operate in, the State as determined by the MSF. A qualified business may include more than one business. "Qualified investment" means investment in the State related to a project subject to a written agreement.

"Qualified new job" means a job performed by an individual who is a resident of the State whose Michigan income taxes are withheld by an employer, or an employee leasing company or professional employer organization on behalf of the employer, that exceeds the number of jobs maintained by the qualified business in the State prior to the expansion or location, as determined and verified by the MSF. The bill includes within this definition 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 the State provided that the business certifies in writing at the time of disbursement that not less than 75% of the employees of that business are residents of the State.

**FISCAL IMPACT**

The bill will have a minimal impact on the Department of Talent and Economic Development, but will not result in an overall increase in the total spending on economic development-related programs. The Department, which houses the Michigan Strategic Fund, will experience some additional costs to modify the system for calculating a "qualified new job". These costs will be minimal and likely within current appropriation. It is likely that 21<sup>st</sup> Century Investment Programs that use a "qualified new job" definition in calculating the incentive will have increases in the individual awards/grants to individual recipients/projects. However, since these programs cap the amount that can be awarded in total or in a single year, this bill will not result in additional costs beyond the caps placed on these programs or total appropriations.

The bill will have no fiscal impact on local government.

Fiscal Analyst: Cory Savino

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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.