



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 353 (Substitute S-2 as reported)

Sponsor: Senator Jud Gilbert, II

Committee: Economic Development, Small Business and Regulatory Reform

## **CONTENT**

The bill would create a new act to provide that, in operating and administering the community development block grant program, to the extent allowed by law, the Michigan Strategic Fund (MSF) would have to require that at least 55% of the community block grant program funds be awarded for projects located in rural areas (counties with a population of 90,000 or less). Projects that created or retained jobs would have to be given priority.

If there were insufficient applicants for projects in rural areas, the MSF could award community development block grant program funds for projects not in rural areas only for the following: economic development infrastructure; economic development planning; downtown and gateway development; economic development grants and loans; and broadband telecommunications development.

For projects located in rural areas, the MSF could not require matching funds greater than 5% of the cost of a project. Projects that provided matching funds greater than 5% of the cost of the project could be given priority.

The bill would define "community development block grant program" as the Federal community block grant program described in Title I of the Housing and Community Development Act of 1974, that is operated by the Michigan Strategic Fund.

Legislative Analyst: J.P. Finet

## **FISCAL IMPACT**

The bill could reallocate funds received by the State from the Federal Community Development Block Grant program. The State will receive approximately \$40 million in FY 2004-05 from the program. The Michigan Strategic Fund board approves the grants, including the transfer of \$10 million to the Michigan State Housing Development Authority (MSHDA) and \$4 million to the Broadband Development Authority for the Digital Divide Investment Program. Currently, the Strategic Fund is meeting the proposed 55% threshold, which includes projects funded from the \$10 million allocated to MSHDA.

The board typically requires matching funds of up to 10% of the grant amount. The bill would set 5% as the maximum matching requirement for projects in rural areas, in most cases reducing the amount of local match a municipality must demonstrate to qualify for a grant. However, priority could be given to those projects that would provide a larger match amount.

Date Completed: 6-3-05

Fiscal Analyst: Elizabeth Pratt  
Maria Tyszkiewicz

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Analysis available @ <http://www.michiganlegislature.org>

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