



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

BILL ANALYSIS



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

Senate Bill 566 (Substitute S-2 as reported)  
Senate Bill 567 (Substitute S-2 as reported)  
Senate Bill 568 (Substitute S-2 as reported)  
Sponsor: Senator John Pappageorge (S.B. 566)  
          Senator Mike Kowall (S.B. 567)  
          Senator Goeff Hansen (S.B. 568)  
Committee: Economic Development

## **CONTENT**

Senate Bill 567 (S-2) would amend the Michigan Strategic Fund (MSF) Act to do the following:

- Require the MSF to create and operate the Michigan Community Revitalization Program to provide community revitalization incentives, in the form of grants, loans, and other economic assistance, for eligible investments in Michigan.
- Require funds appropriated for the program to be placed in the 21st Century Jobs Trust Fund.
- Specify criteria for the MSF to consider when approving an application for community revitalization incentives.
- Prohibit the MSF board from approving more than 25% of a project's eligible investment up to \$10.0 million for a single project, and prohibit a grant of more than \$1.0 million.
- Require the MSF board to enter into a written agreement with an approved applicant for community revitalization incentives, and specify agreement requirements.
- Require a written agreement to provide for repayment and penalties if the applicant failed to comply with the agreement.
- Prohibit the use of more than 4% of the annual appropriation from the 21st Century Jobs Trust Fund for administration of the Michigan Community Revitalization Program.
- Allow the Michigan Economic Development Corporation to charge for costs associated with a community revitalization loan.
- Specify legislative findings and intent.

Senate Bill 568 (S-2) would amend the MSF Act to do the following:

- Specify procedures for the application for, approval of, and payment of community revitalization grants and loans, and allow grant and loan proceeds to be assigned.
- Require the MSF board to submit an annual report to the Legislature.
- Require the posting of certain information on the MSF website.

Senate Bill 566 (S-2) would amend the MSF Act to do the following:

- Allow the MSF president to authorize community revitalization incentives, and incentives under the Michigan Business Development Program (proposed by Senate Bill 556), of up to \$1.0 million.
- Impose certain restrictions on funding under the Michigan Community Revitalization Program and under the Michigan Business Development Program.
- Allow the Jobs for Michigan Investment Fund to be used for revitalizing Michigan communities.

The bills are tie-barred.

MCL 125.2005 et al. (S.B. 566)  
Proposed MCL 125.2090-125.2090b (S.B. 567)  
Proposed MCL 125.2090c-125.2090d (S.B. 568)

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bills would create the Michigan Community Revitalization Program, providing a statutory framework for a program to replace brownfield and historic preservation tax credits, which will no longer be awarded after December 31, 2011. The Community Revitalization Program would be authorized within the Michigan Strategic Fund, an independent agency within the Department of Treasury. The proposed program would provide investment incentives in the form of loans, grants, or other economic assistance to a person with an approved application. Under MCL 125.2004 of the MSF Act, "person" is defined as "...an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, limited liability company joint venture, profit or nonprofit corporation including a public or private college or university, public utility, local industrial development corporation, economic development corporation, or another association of persons organized for agricultural, commercial, or industrial purposes".

The MSF budget (part of the General Government budget, Article VIII of Public Act 63 of 2011) includes \$100.0 million in FY 2011-12 for Business Attraction and Economic Gardening. The funds are appropriated in two places: \$50.0 million GF/GP in one-time funding in Section 1201 and \$50.0 million (\$25.0 million GF/GP and \$25.0 million from the 21st Century Jobs Trust Fund) in a conventional line item. This money is available to fund the Michigan Community Revitalization Program as well as the Michigan Business Development Program, a related program that would be created by Senate Bill 556 to replace the Michigan Economic Growth Authority (MEGA) tax credits. The MSF board approved program guidelines for both the Michigan Community Revitalization Program and the Michigan Business Development Program at its meeting on August 24, 2011.

The bills would require that all funds appropriated for Community Revitalization Incentives be deposited into the 21st Century Jobs Trust Fund. This would increase the balance in the 21st Century Jobs Trust Fund by \$75.0 million in FY 2011-12. Interest earnings on the 21st Century Jobs Trust Fund remain in the General Fund pursuant to MCL 12.257(4).

The MSF board would be authorized to allocate up to 4% of the annual appropriation for administrative costs. This would permit up to \$4.0 million of the \$100.0 million appropriation to be available for administrative costs. Currently, only the funds appropriated directly from the 21st Century Jobs Trust Fund are subject to the administrative allocation.

The MSF board would have authority to allocate the \$100.0 million appropriation between the two new programs and allowable administrative costs. The amount that would be allocated to the Michigan Community Revitalization Incentives would be determined by the board subject to boilerplate and statutory constraints. Section 1024 of the General Government budget requires that at least \$20.0 million in FY 2011-12 from the line item for Business Attraction and Economic Gardening be granted for brownfield redevelopment incentives and historic preservation incentives. An additional limitation arises from the fund sources of the appropriation. The \$100.0 million appropriated is from two fund sources, \$25.0 million from the 21<sup>st</sup> Century Jobs Trust Fund and \$75.0 million from the General Fund. Under the Michigan Trust Fund Act, funds appropriated from the 21<sup>st</sup> Century Jobs Trust Fund can be used only for programs under Chapter 8A of the MSF Act and this program would be created in Chapter 8C. Senate Bill 644 would amend the Michigan Trust Fund Act to resolve that issue.

The MSF board would have considerable flexibility in determining the types of assistance that would be available. As noted above, the bills would provide for assistance in the form of loans, grants, and other economic assistance, which would be defined as any form of assistance allowed under the MSF Act. The incentive payment could not support more than 25% of a project's eligible investment. There would be a cap of the \$10.0 million on the incentives awarded to any one project, and a limit of \$1.0 million on the amount of any grant awarded within that amount. A recipient could assign the proceeds of any grant or loan. Awards of up to \$1.0 million could be approved by the president of the Michigan Strategic Fund under explicit delegated authority.

Repayments of Community Revitalization Incentive loans would be deposited into the Jobs for Michigan Investment Fund, a permanent fund created as part of the 21<sup>st</sup> Century Jobs Trust Fund. These repayments would be available only for additional Community Revitalization Incentives. Community Revitalization Incentives would become a permissible use of the Investment Fund.

The common cash earnings on the body of the Investment Fund are available for appropriation by the Legislature. To the extent that the repayments increased any balance in the Fund, the earnings would increase.

The MSF would incur administrative costs for this program to process applications within the allowable timelines, monitor compliance by recipients, post required information on the internet, and prepare required reports. The administration of the program would be funded from the administrative allocation of up to \$4.0 million in FY 2011-12 as discussed above, fees paid by applicants (similar to the fees paid currently by MEGA credit applicants), and the line item for Job Creation Services.

The bills would continue State support for brownfield and historic preservation projects in local areas. Local financial and community support of projects would be an item evaluated in the selection of projects. The program guidelines adopted by the MSF board describe the local support as staff, financial, or economic support from the municipality where the project is located.

Date Completed: 9-19-11

Fiscal Analyst: Elizabeth Pratt

Floor\sb566.

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.