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Senate Bill 397 (as enacted)
House Bill 4782 (as enacted)
Sponsor: Senator Tom Casperson (S.B. 397)
Representative John Kivela (H.B. 4782)
Senate Committee: Economic Development
House Committee: Commerce

PUBLIC ACT 238 of 2013
PUBLIC ACT 239 of 2013

Date Completed: 1-27-15

RATIONALE

The Next Michigan Development Act was signed into law in 2010 and provided for the designation of Next Michigan Development Corporations (NMDCs) consisting of multiple local units of government or a large urban entity, in order to promote the development of eligible businesses that are engaged in, support, or rely on multimodal commerce (the movement of products or services via two of the following: air, road, rail, or water). There were five NMDCs designated under the 2010 legislation, but none farther north than Traverse City. Two counties in the Upper Peninsula, along with their cities and townships, evidently have wanted to collaborate on economic development projects dealing with transport commerce. It was suggested that the Next Michigan Development Act should allow the designation of another NMDC and give Marquette and Delta Counties priority for its location.

CONTENT

The bills amended the Next Michigan Development Act to authorize the designation of a sixth Next Michigan Development Corporation and give preference to an "eligible act 7 entity" made up of at least two counties in the Upper Peninsula.

The Act allows an "eligible act 7 entity" or "eligible urban entity" to apply to the Michigan Strategic Fund (MSF) board for designation as a Next Michigan Development Corporation. The Act defines "eligible act 7 entity" as a separate legal and administrative entity formed by interlocal agreement under the Urban Cooperation Act among two or more local governmental units, including at least one county and at least one qualified local government unit under the Obsolete Property Rehabilitation Act, for the purpose of jointly exercising economic development powers and attracting business. "Eligible urban entity" means a city with a population of 100,000 or more that is the largest city within a metropolitan statistical area as defined by the U.S. Office of Management and Budget.

The bills took effect on December 26, 2013.

Senate Bill 397

The Act allows the MSF board, upon the filing of an application by an eligible act 7 entity or eligible urban entity, to designate the applicant as an NMDC. The MSF board had been limited to designating not more than five such development corporations.

The bill allowed the board to designate up to six Next Michigan Development Corporations.

House Bill 4782

The bill specifies that, in determining whether to designate an NMDC, the MSF must give preference to an eligible act 7 entity that is made up of at least two contiguous counties that have a combined population of more than 103,000 but less than 106,000 according to the most

recent decennial census, and the population of the largest city of one of those counties when combined with the largest city of the other county, is more than 32,500 but less than 35,500. (Those criteria describe Marquette and Delta Counties, and the Cities of Marquette and Escanaba, in Michigan's Upper Peninsula.)

MCL 125.2955 (S.B. 397)
125.2954 (S.B. 398)

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

The concept of promoting economic development centered around multimodal transportation commerce is a relatively new venture in Michigan. The 2010 Act that authorized NMDCs allowed the designation of a maximum of five such entities, and all five were established. Four are in southern Michigan and one is in the northern Lower Peninsula, in Traverse City. The NMDCs can use various tax-break statutes to promote logistics-type businesses around transportation centers. This might include, for example, a package delivery company's sorting facility, where packages are flown in to a central location, sorted for delivery, and then flown out to regional distribution centers.

Marquette and Delta Counties, the two largest counties in the Upper Peninsula, together with the Cities of Marquette and Escanaba and the townships within those two counties, evidently are interested in establishing an NMDC to promote the development of transport commerce in the region. Local businesses and trade groups also are supportive. By allowing the creation of a sixth NMDC, and giving priority to locating it in the Upper Peninsula, the bills expand the availability of NMDC economic development incentives to an area of the State that is often overlooked in such efforts.

Opposing Argument

Economic development efforts in Michigan that are based on tax incentives should not be expanded. Quasi-public entities such as NMDCs are not sufficiently accountable to the public or the electorate, and they should not be empowered to manage public funds or dole out deals to specific businesses.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The authorization of an additional Next Michigan Development Corporation will reduce State and local revenue by an indeterminate amount. Businesses locating in the new NMDC are eligible for property tax abatements and, subject to designation by the MSF, possible renaissance zone reductions of State and local taxes. The amount of General Fund revenue foregone depends on the amount of economic activity and whether it would have occurred without the incentives. The State is required to reimburse school districts for revenue lost due to development in an NMDC, which will increase spending from the School Aid Fund. The NMDCs previously authorized under the Next Michigan Development Act are Grand Traverse, the I-69 International Trade Corridor, the Port Lansing Global Logistics Center, the Vantageport Detroit Regional Aerotropolis, and the West Michigan Economic Partnership.

The MSF will have increased administrative costs of an unknown amount to review and promote the additional NMDC. These costs likely will be absorbed within existing resources.

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.