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**BILL ANALYSIS**

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Senate Bills 397 and 398 (as introduced 5-29-13)  
Sponsor: Senator Tom Casperson  
Committee: Economic Development

Date Completed: 8-12-13

**CONTENT**

**The bills would amend 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 (NMDC). The Act provides for the designation of up to five NMDCs to foster economic opportunities in Michigan, prevent conditions of unemployment and underemployment, and promote economic growth.

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, at least one of which must be a county, and at least one of which must be a 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.

**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 may designate no more than five such development corporations.

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

**Senate Bill 398**

The bill specifies that, in determining whether to designate an NMDC, the MSF would have to give preference to an eligible act 7 entity that was made up of at least two contiguous counties that had 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, was 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)

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The proposed authorization of an additional Next Michigan Development Corporation would reduce State and local revenue by an indeterminate amount. Businesses locating in the new NMDC would be 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 would depend on the amount of economic activity and whether it would have occurred without the incentives. The State would be required to reimburse school districts for lost revenue due to development in an NMDC which would increase spending from the School Aid Fund. The NMDCs currently 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 bill would authorize a sixth NMDC in the Upper Peninsula counties of Marquette and Delta.

The MSF would have increased administrative costs of an unknown amount to review and promote the additional NMDC. These costs likely would 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.