



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 840 (Substitute S-1 as passed by the Senate)

Senate Bill 841 (Substitute S-1 as passed by the Senate)

Sponsor: Senator Tony Stamas (S.B. 840)

Senator Wayne Kuipers (S.B. 841)

Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 12-2-03

RATIONALE

Manufacturing and small business historically have been two vital components of Michigan's economy. According to the Small Business Survival Committee, Michigan ranks ninth in the nation this year for best policy environment for small business and entrepreneurship. In 2002, more than 2 million people reportedly were employed by more than 211,000 nonfarming small businesses in Michigan. Starting up a small, independent business, however, can be a formidable task. An entrepreneur must take into consideration such issues as financing; hiring and employee training; tax obligations; obtaining necessary licenses and permits; and compliance with a multitude of local, State, and Federal regulations.

According to a press release from the Michigan Economic Development Corporation (MEDC), approximately one out of every five Michigan workers is employed in the manufacturing industry. Due to the economic downturn, however, over the last three years, the nation has lost 2.7 million manufacturing jobs. More than 170,000 of these jobs were from Michigan. It has been suggested that manufacturing and small business "czars" should be appointed in order to help sustain these two sectors, facilitate job creation, and stimulate economic growth in Michigan.

CONTENT

Senate Bills 840 (S-1) and 841 (S-1) would create two new acts to create the Office of Small Business Czar and the Office of Manufacturing Czar, respectively, within the MEDC. The Czars would have to do all of the following as applicable.

- Devote their entire time to facilitating the creation and retention of small business jobs or manufacturing jobs in the State.
- Implement the portions of the MEDC's strategic plan addressing small business or manufacturing job creation and retention in the State.
- Coordinate all programs within the MEDC and across government to create and retain small business jobs or manufacturing jobs in the State.
- Assist small business or manufacturing in the State.
- Work to create a business environment that encouraged and sustained entrepreneurship and manufacturing in the State.
- Work to empower entrepreneurs or manufacturers to take advantage of the opportunities offered by the market in the State.

The Czars would be appointed by the Governor with the advice and consent of the Senate, and would report directly to the MEDC President. They would have to have experience in creating jobs in the private sector.

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

Factories and small businesses form the foundation of Michigan's economy. The bills would provide another tool to sustain a favorable environment for entrepreneurship and the manufacturing industry, and help ensure that Michigan is able to remain

competitive on both a national and global basis. The Czars would be particularly useful in light of the State's high unemployment rate and the decline of the manufacturing sector in recent years.

Opposing Argument

The bills would create another layer of bureaucracy. The MEDC already may carry out small business and manufacturing initiatives without adding two more positions. Furthermore, the bills potentially could hinder procedures already in place.

Response: The two Czar positions would provide a focus that currently is lacking. The MEDC deals with all sizes of businesses, ranging from large, multinational corporations to small family enterprises. A single person focused on small business would be someone entrepreneurs could go to for help in starting up a business and navigating the existing bureaucracy. The Manufacturing Czar could help manufacturers mobilize the resources already available to them and gain the most leverage from the State's business environment.

Opposing Argument

Manufacturing issues are more appropriately addressed at the Federal level. The industry is affected by international trade agreements and other nations' labor and environmental laws and practices. President Bush recently announced the creation of a Manufacturing Czar position within the U.S. Department of Commerce to handle such issues. A similar position at the State level would be unnecessary.

Response: A State Manufacturing Czar could act as an advocate for the State's manufacturing community at the Federal level.

Legislative Analyst: Julie Koval

FISCAL IMPACT

The bills do not include funding for the Office of Small Business Czar or the Office of Manufacturing Czar, which would include salary, fringe benefits, and any overhead costs. Because the offices would be created in the MEDC, their costs could be covered with "off budget" Indian casino gaming revenue, which would result in no fiscal impact on the General Fund.

Fiscal Analyst: Maria Tyszkiewicz

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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.