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

BILL ANALYSIS

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

Senate Bills 397 and 398 (as reported without amendment) *(Senate-passed version)*
Sponsor: Senator Tom Casperson
Committee: Economic Development

Date Completed: 9-23-13

RATIONALE

The Next Michigan Development Act was signed into law in 2010 and provides for the designation of up to five Next Michigan Development Corporations (NMDCs) consisting of multiple local units of government, 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 currently are five NMDCs, but none is farther north than Traverse City. Two counties in the Upper Peninsula, along with their cities and townships, evidently would like to collaborate on economic development projects dealing with transport commerce. It has been suggested that the Next Michigan Development Act should allow the designation of a sixth NMDC and give Marquette and Delta Counties priority for its location.

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. 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.

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 not 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)

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 allows the designation of a maximum of five such entities, and all five have been 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, would like to establish 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 would 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 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 revenue lost 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
David Zin