

Senate Committee on Commerce and Tourism

A meeting of the Senate Committee on Commerce and Tourism was held Wednesday, March 24, 2009 at 8:30 a.m. in room 100 of the Farnum Building.

The meeting was called to order at 8:34 a.m.

Members present: Senators Allen, Nofs, and Stamas

Members excused: Senators Clarke and Hunter

Senator Allen called the meeting to order.

Senator Allen welcomed the audience to the Commerce and Tourism Committee and stated his disappointment in the recent revelation MEGA credit that had been awarded to Richard Short, a convicted embezzler. Senator Allen stated that the meeting today would be to have a clear understanding of how the process for approving these credits works, where the breakdown in the system was that allowed this situation to occur, and what steps can be taken to ensure that something similar does not happen again.

Senator Allen invited Greg Main, CEO of the Michigan Economic Development Corporation, to testify.

Mr. Main explained that the investigation by the State Police limited some of the specifics he could give in testimony regarding Mr. Short. Mr. Main further clarified that there was no upfront cash given in this particular deal, but nonetheless the MEDC's reputation and credibility has been damaged. Mr. Main stated that the Governor issued an Executive Order and Executive Directive the day previous to change the way that the MEGA Board awards credits and mandating background checks for privately held companies. The MEDC was also internally changing procedures to prevent this from happening again.

Mr. Main directed the committee members to the binder his staff handed out, referencing materials on the process before for awarding MEGA tax credits and how the process will be changed. Mr. Main stated that some changes may require statutory changes by the legislature, but cautioned against a knee jerk reaction that would make the MEDC too bureaucratic to operate effectively.

Mr. Main took questions from Senators Allen, Nofs, and Stamas regarding the process staff goes through in checking out a company, how Mr. Short slipped through, what level of engagement there was with local officials, and the influence the push for alternative energy had on awarding the tax credit. Mr. Main answered the Senators' questions and stated that he would be willing to meet with them privately to discuss the situation in greater detail.

Senator Allen asked that Mr. Main report back to the committee what other states were doing in terms of background checks and how the 20 small businesses, out of a total of 600 projects over 15 years, were doing.

Senator Gleason stated that this shows a necessity to remedy the failing and set a new course for the MEDC to restore confidence. Senator Gleason would like to see all levels of the process and how it works and who makes decisions. Senator Gleason feels it is important for Senators to understand and be aware of efforts within their own districts and that a more intimate relationship is needed with the process. Senator Gleason looks forward to moving forward with these efforts and commended Senator Allen on his leadership. He stands by the panel and their actions on this front.

Pat Clawson, who is a resident of the Flint area and former investigative reporter, explained his role in the discovery of Mr. Short's history. Mr. Clawson stated that by searching the internet for 15 minutes he was able to determine that Mr. Short was a former convict of embezzlement and that the headquarters he listed for the company was actually a mobile home. Mr. Clawson detailed some limitations he saw in the process of obtaining information in the Corrections, Courts, and State Police systems. Mr. Clawson also stated issues he had with the MEDC, their process, and their handling of the situation. Mr. Clawson stated that he expected people to be fired over this occurrence, including Greg Main as their CEO and Jennifer Nelson as their legal counsel. Mr. Clawson also stated that the media held part of the blame for not doing its part to investigate matters and act as a watch dog.

Senator Allen indicated that work will continue on this issue over the break.

Senator Allen thanked those who testified today and stated that he looked forward to hearing back from the MEDC on the questions he had asked.

Senator Allen adjourned the committee 9:36 a.m.

Respectfully Submitted,

Lauren K. Michalak
Committee Clerk

Jason E. Allen
Chairman

Date Approved by Committee