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Senate Bill 929 (Substitute S-2 as reported by the Committee of the Whole)
Sponsor: Senator Mike Kowall
Committee: Economic Development

CONTENT

The bill would amend the Michigan Strategic Fund (MSF) Act to do the following:

- Delete a requirement that the MSF board select all vendors for all marketing expenditures under Chapter 8A (21st Century Investment Programs and Activities) by issuing a request for proposal (RFP).
- Allow the MSF board to select all vendors for all expenditures and for program awards under Chapter 8A by issuing an RFP or an alternative competitive process.
- Allow the MSF to use application fees received for programs and activities under Chapters 8A and 8C (Community Revitalization), to administer those programs and activities.
- Allow the Michigan Economic Development Corporation to charge fees for costs associated with grants or other economic assistance (in addition to loans) under Chapter 8A.
- Require the competitive process under Chapter 8A for the Commercialization Board to award grants and make loans for competitive edge technologies, to include review by a joint-evaluation committee, rather than be peer-reviewed by independent experts.
- Require the competitive process to limit overhead rates, administrative fees, and management fees for award recipients to not more than 25% of the award, rather than limiting overhead rates to a maximum of 15% of a grant or loan.
- Revise notice and hearing provisions for resolutions establishing or changing 21st Century investment programs or programs operated by the Commercialization Board.
- Allow the MSF board to act on a resolution on the day of a public hearing, rather than not sooner than 14 days after a public hearing.
- Require the MSF to transmit to the Legislature an annual, rather than quarterly, status report of its activities.
- Include a municipality in the Act's definition of "person".

(Executive Reorganization Order 2010-4 abolished the Commercialization Board and transferred all of its authority, powers, and responsibilities to the MSF board.)

MCL 125.2009 et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would make a series of changes to give the Michigan Strategic Fund board greater flexibility in the administration of 21st Century Investment and other programs, including tourism promotion and business marketing, competitive edge technology grants and loans, loan enhancement programs, business incubators, and the recently enacted Michigan Business Development Program (Public Act 250 of 2011). These changes would tend to reduce the MSF's administrative costs and would have an unknown impact on the overall costs and uses of funds available to the program, which include annual appropriations and the Jobs for Michigan Investment Fund, the permanent fund that receives earnings and repayments from 21st Century programs and predecessor programs.

The bill also would permit fees to be charged for grants and other economic assistance from 21st Century programs and for costs associated with any type of assistance under the Community Revitalization Program. These changes would provide additional revenue to cover administrative costs, replacing in part revenue from application fees for the Michigan Economic Growth Authority and brownfield tax credits. The amount of revenue would depend on the level of fees and the amount of activity in these programs.

Including a municipality in the Act's definition of "person" would make a wide variety of local governments eligible for the Community Revitalization Program. The Community Revitalization Program was created by Public Act 253 of 2011 to replace brownfield tax credits. Public Act 63 of 2012 appropriated \$100.0 million in FY 2011-12 that can be allocated by the MSF board between the Business Development Program and the Community Revitalization Program. Section 1024 of that Act requires the allocation of at least \$20.0 million for brownfield redevelopment and historic preservation incentives.

Date Completed: 2-22-12

Fiscal Analyst: Elizabeth Pratt